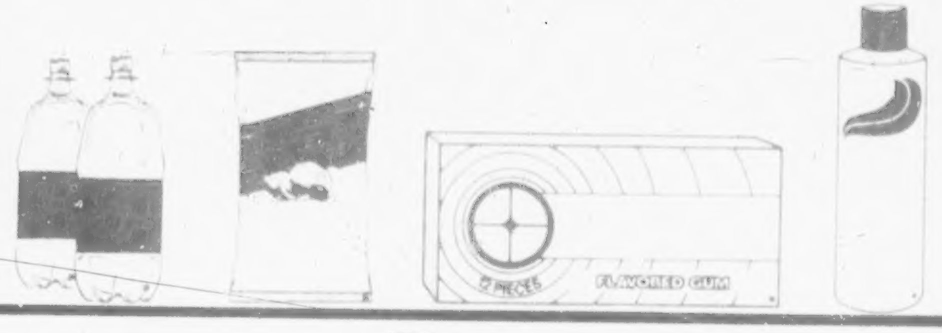
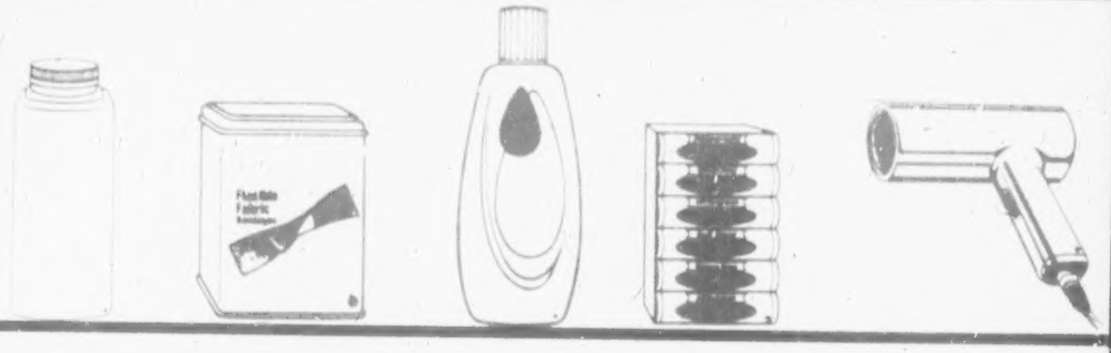
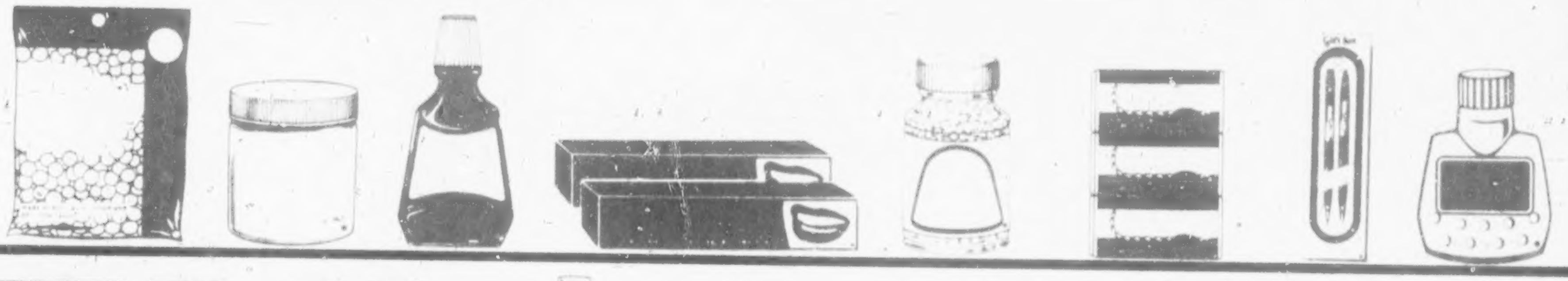
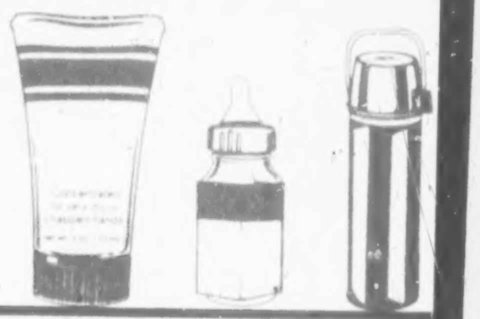
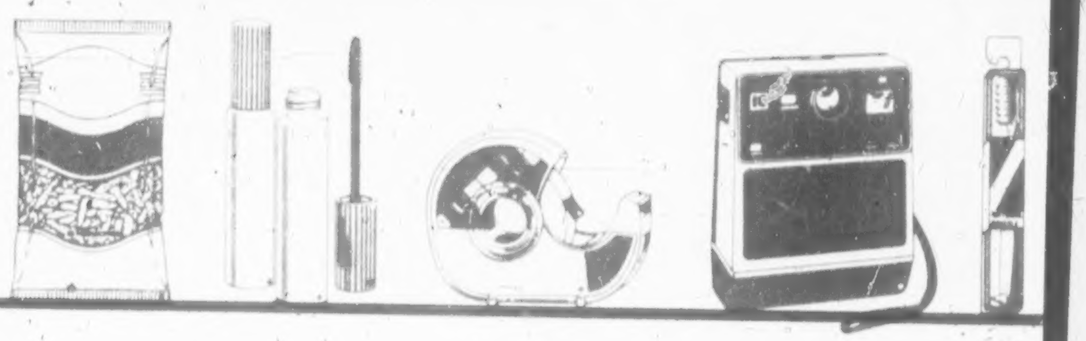
NIELSEN REVIEW OF RETAIL DRUG STORE TRENDS


12 PIECES
FLAVORED GUM


Flexible Fabric



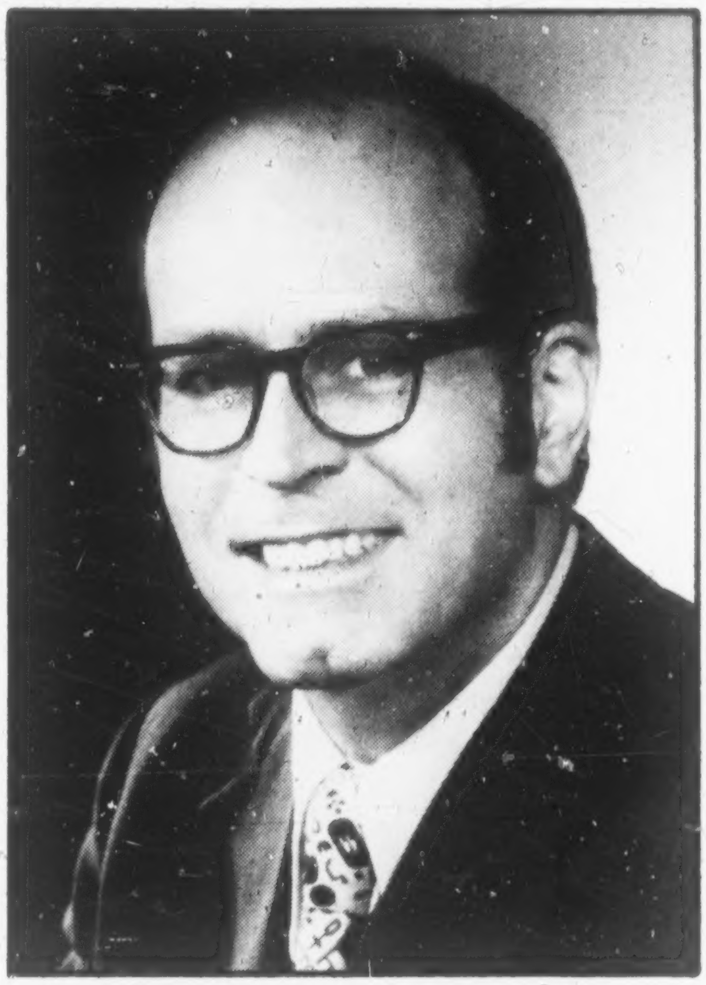




1984

Published in cooperation with
DRUG STORE NEWS

To Our Friends in the Drug Industry:



We would like to salute the drug industry once again this year with our 1984 Drug Review and at the same time send a special thank you to the many fine organizations from whom we receive cooperation.

In 1983, consumer dollar sales through retail drug stores increased at a 10% rate vs. 1982 while overall inflation was 3.2% over the same interval. Sales through chain drug stores continued to expand during 1983 at a faster rate than total drug store dollar volume, as chains carved out a new high of 57.4% of the retail drug business.

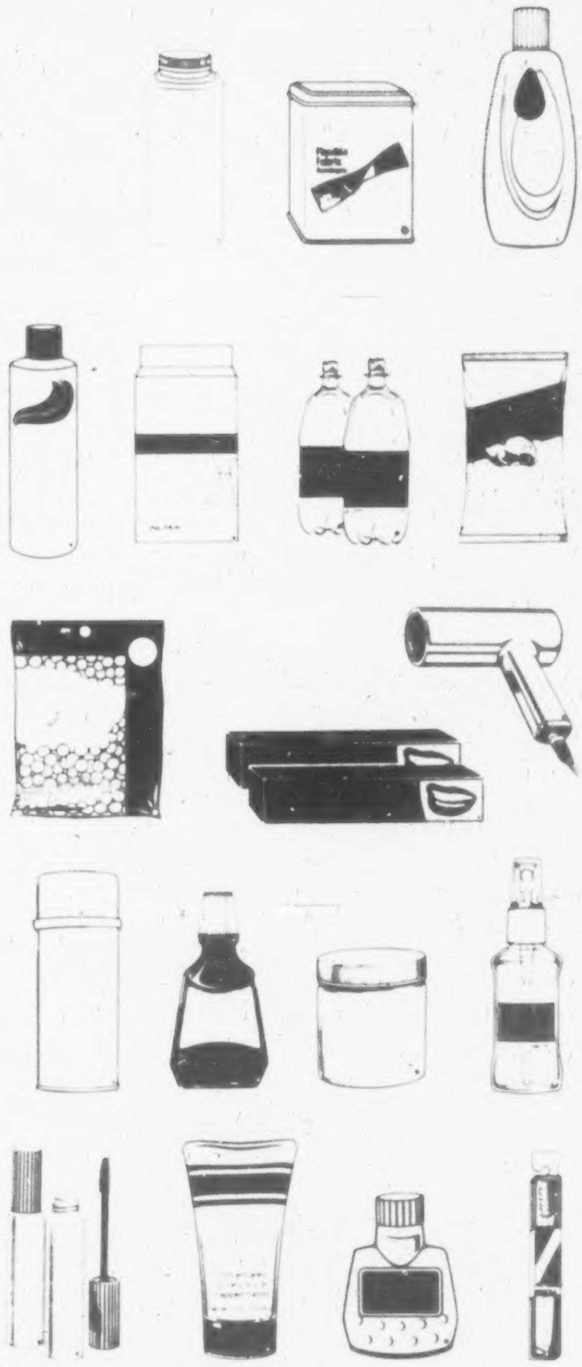
These trends and others are covered in more detail in this edition of the Nielsen Drug Review. We sincerely hope that you find this annual review both useful and interesting and once again we are grateful for the fine cooperation extended to us by the members of the drug industry.

Sincerely,

Donald R. McCurry

Donald R. McCurry
Executive Vice President
Managing Director
Marketing Research Group U.S.A.

Nielsen Marketing Research



Chapter 1

THE ECONOMIC ENVIRONMENT

During 1983, total U.S. Retail Sales reached $1.2 trillion dollars, a 9% increase over 1982. Strong gains as our economy gets back on its feet. It is important to note that much of the gain in retail sales can be considered "real" gains since prices rose very little in 1983.

Drug and proprietary stores sales accounted for 3.3% of total U.S. retail sales holding on to a position they achieved in 1982. The areas of greatest retail growth during 1983 included retail automotive sales (+21%) and the hardware & lumber sector (+18%).

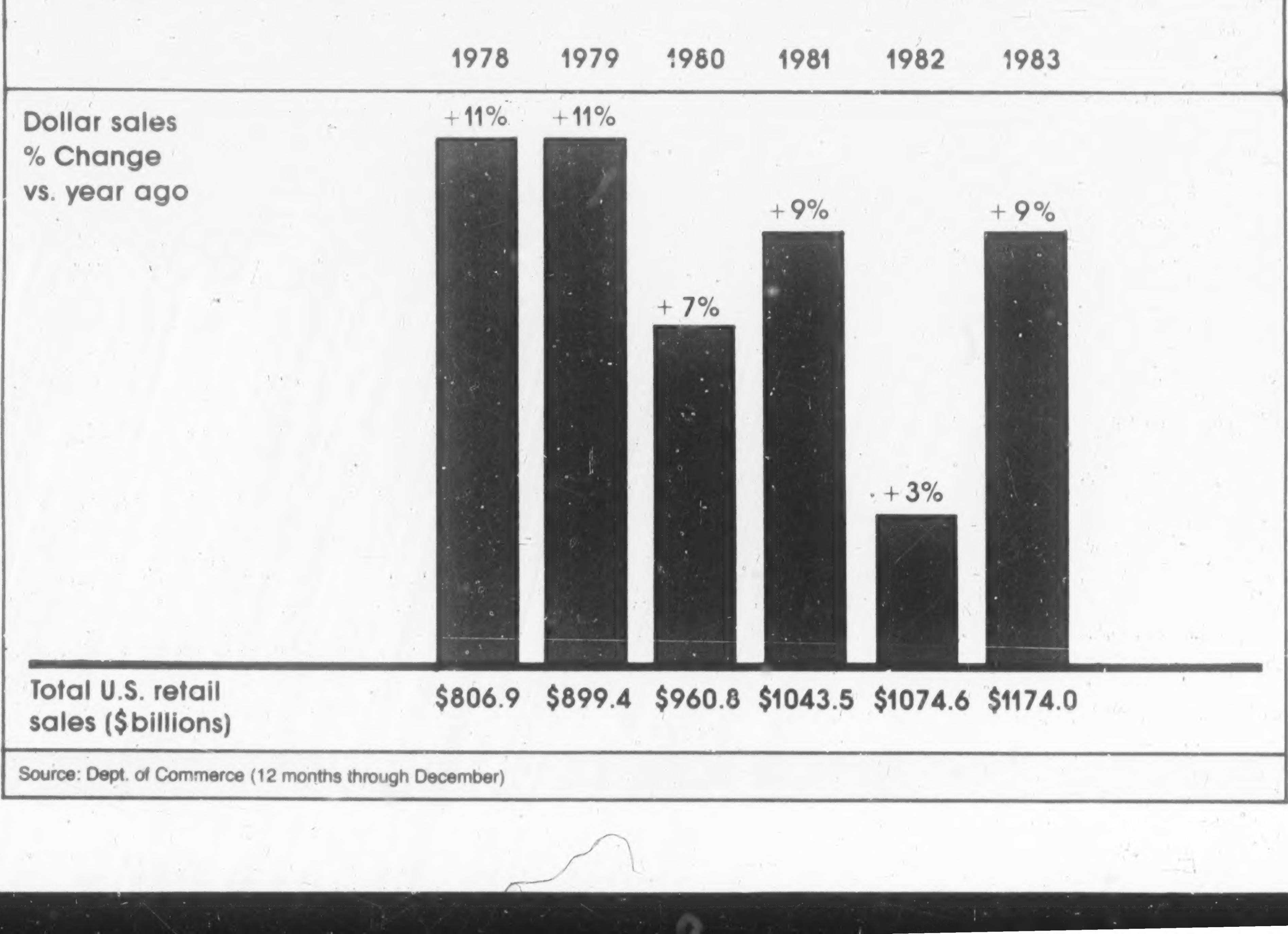
All indications point to 1984 as being another year of strong growth as well. Increasing employment and low rate of price inflation continue to help fuel consumer retail sales demand, particularly for cars, housing and home additions.

PRICE INFLATION IN GENERAL IS SLOWING BUT THE COST OF MEDICAL CARE IS STILL MOVING UPWARD QUICKLY

Price inflation has definitely slowed. The Consumer Price Index for all items rose only 3% during 1983. However, there were steep gains within the medical care segment. Hospital room costs, already 6 times greater than 1967 (double the all item inflation rate), increased by another 11% from 1982 to 1983.

Prescription drug prices also rose by 11%, while over-the-counter drug prices grew by 7% from 1982.

Total U.S. retail sales



Source: Dept. of Commerce (12 months through December)

Share of retail sales by sector

	1978	1979	1980	1981	1982	1983	Dollar sales % change 1983 vs. 1982
Division of sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	+ 9%
Drug & proprietary	3.1	3.1	3.2	3.2	3.3	3.3	+ 8%
Food stores	21.7	22.1	23.1	22.8	23.2	22.1	+ 4%
Eating & drinking	8.9	9.1	9.4	9.4	9.7	9.9	+ 10%
Gasoline stations	7.5	8.4	10.1	10.3	9.6	8.8	0%
Clothing	5.0	4.8	4.8	4.8	4.8	4.6	+ 5%
Automotive	20.6	19.4	16.5	16.7	17.0	18.9	+ 21%
Furniture & appliances	4.5	4.7	4.6	4.4	4.3	4.4	+ 12%
Hardware & lumber	4.8	4.9	4.5	4.3	4.2	4.5	+ 18%
All others	23.9	23.5	23.8	24.1	23.9	23.5	+ 8%

Source: Dept. of Commerce (12 months through December)

CPI trends*

	1980	1981	1982	1983	% Change 1983 vs. 1982
Total all items	247	272	289	298	+ 3%
Medical care	266	295	329	357	+ 9%
Prescription drugs	155	173	193	214	+ 11%
Over-the-counter drugs	188	211	234	252	+ 7%
Physicians services	269	299	327	352	+ 8%
Dental services	240	263	283	303	+ 7%
Hospital room	419	481	557	620	+ 11%
Personal care	206	232	250	261	+ 4%
Food-at-home	252	270	279	282	+ 1%
Food-away-from-home	267	291	307	320	+ 4%
Housing	263	294	315	323	+ 3%
Clothing	178	187	192	196	+ 2%
Transportation	250	280	292	298	+ 2%
Entertainment	205	221	236	246	+ 4%

+ All urban consumers—Base year 1967 = 100

*Annual average 12 months through December

Source: U.S. Dept. of Labor

A
1
B
A
2
B
PHARMACY
Fashion Wrap

It is worthwhile noting that, traditionally, the cost of prescription drugs has not increased as fast as the all item consumer price index. Prices for prescription drugs are only double 1967 levels while the all item price index has tripled.

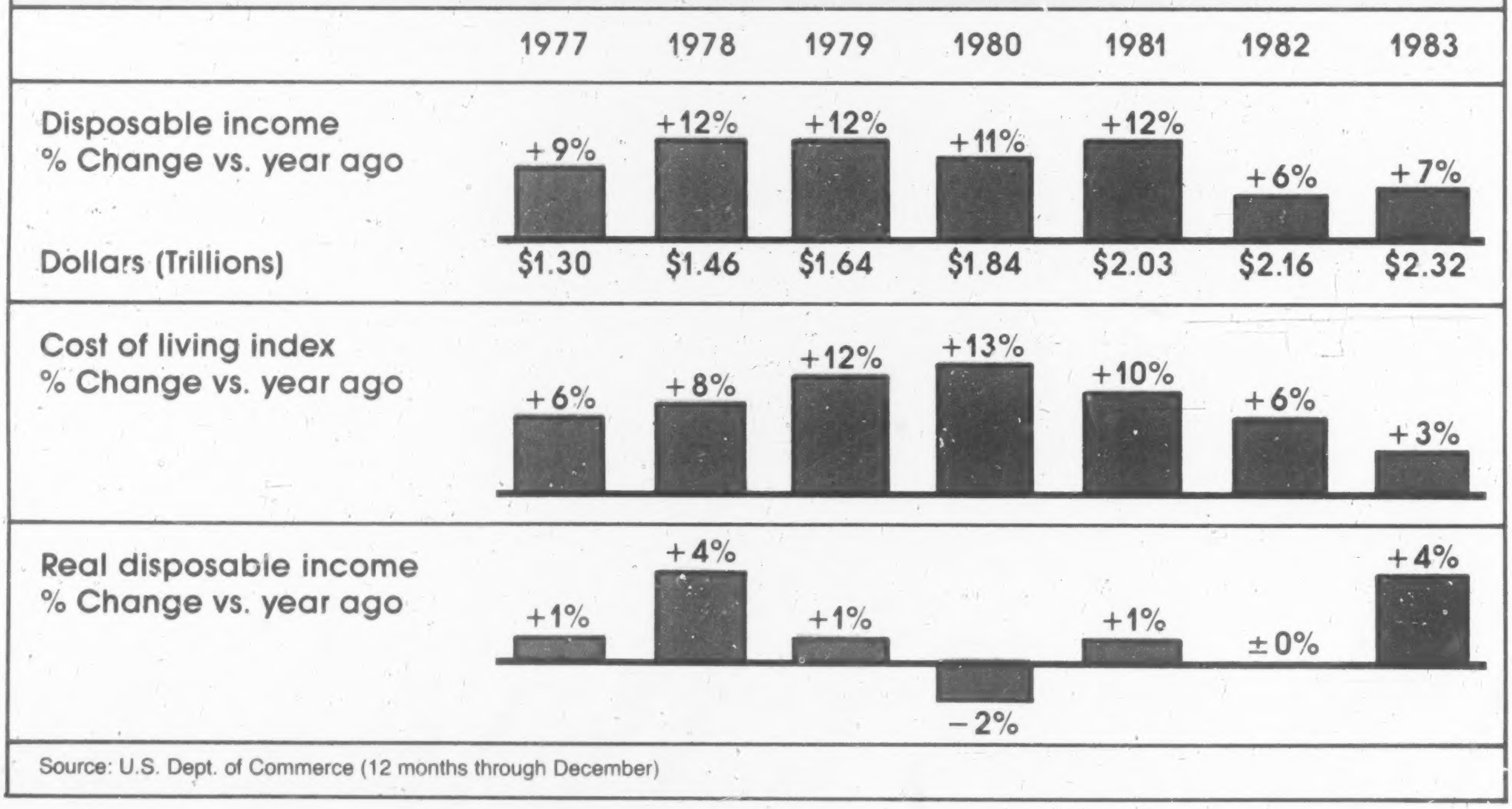
CONSUMERS ENJOYED LARGE REAL GAINS IN DISPOSABLE INCOME . . .

Low levels of inflation coupled with increases in disposable income during 1983 have combined to give consumers the largest annual increase in *real* disposable income since 1978 (+4%). A prime factor in stimulating overall retail sales.

FLAVORED GUM

CHECK OUT
CHECK OUT

Real Disposable Income Trends



Source: U.S. Dept. of Commerce (12 months through December)

Chapter 2

RETAIL DRUG STORE SALES

During 1983, retail drug store sales reached $39.7 billion, 10% greater than 1982. Part of this increase can be attributed to the rising cost of prescriptions and part from "real" growth.

Chain drug store sales increased by 11% during 1983 and now account for 57.4% of total drug store sales. A chain is defined as four or more stores under common ownership. Continued expansion and acquisition, competitive merchandising, and aggressive inventory management are all factors contributing to the strong chain drug store growth trend we have seen over the past several years.

Independent drug store sales grew by 8% in 1983. The $16.9 billion of sales generated in independents now represents 42.6% of total drug store sales.

The strongest growth from within the chain drug store universe has come from those stores with a selling area of between 10,000-15,000 sq. ft. These types of stores now account for 26.8% of total chain drug store volume, up 12.8 points from 1978.

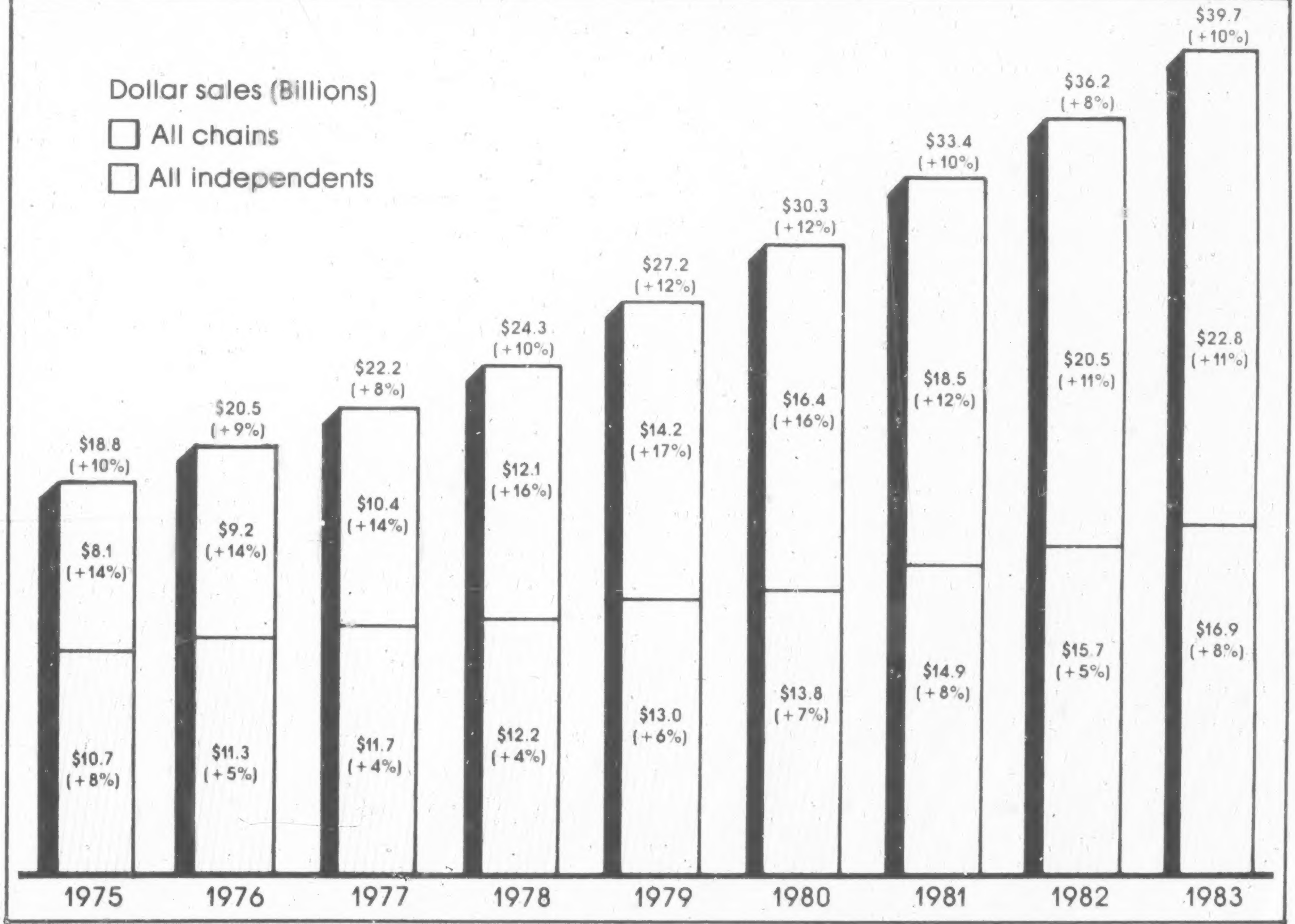
Chain drug stores under 5,000 sq. ft. and those between 5,000 to 10,000 sq. ft. are no longer accounting for the same level of sales enjoyed in 1978. The 5,000 to 10,000 sq. ft. stores still account for the largest portion of chain drug sales, 38.7%, but their share has declined six points since 1978. The very large chain stores, with over 15,000 of of selling area, have also declined slightly in importance since 1978, dropping 1.1 points to a 10% share in 1983.

DRUG STORE SALES INCREASE UNIFORM ACROSS U.S. . . .

During 1983, drug store sales growth by geographic area did not vary much from the U.S. average increase of 10%; with the exception of Metro New York where sales increased only 6% over 1982.

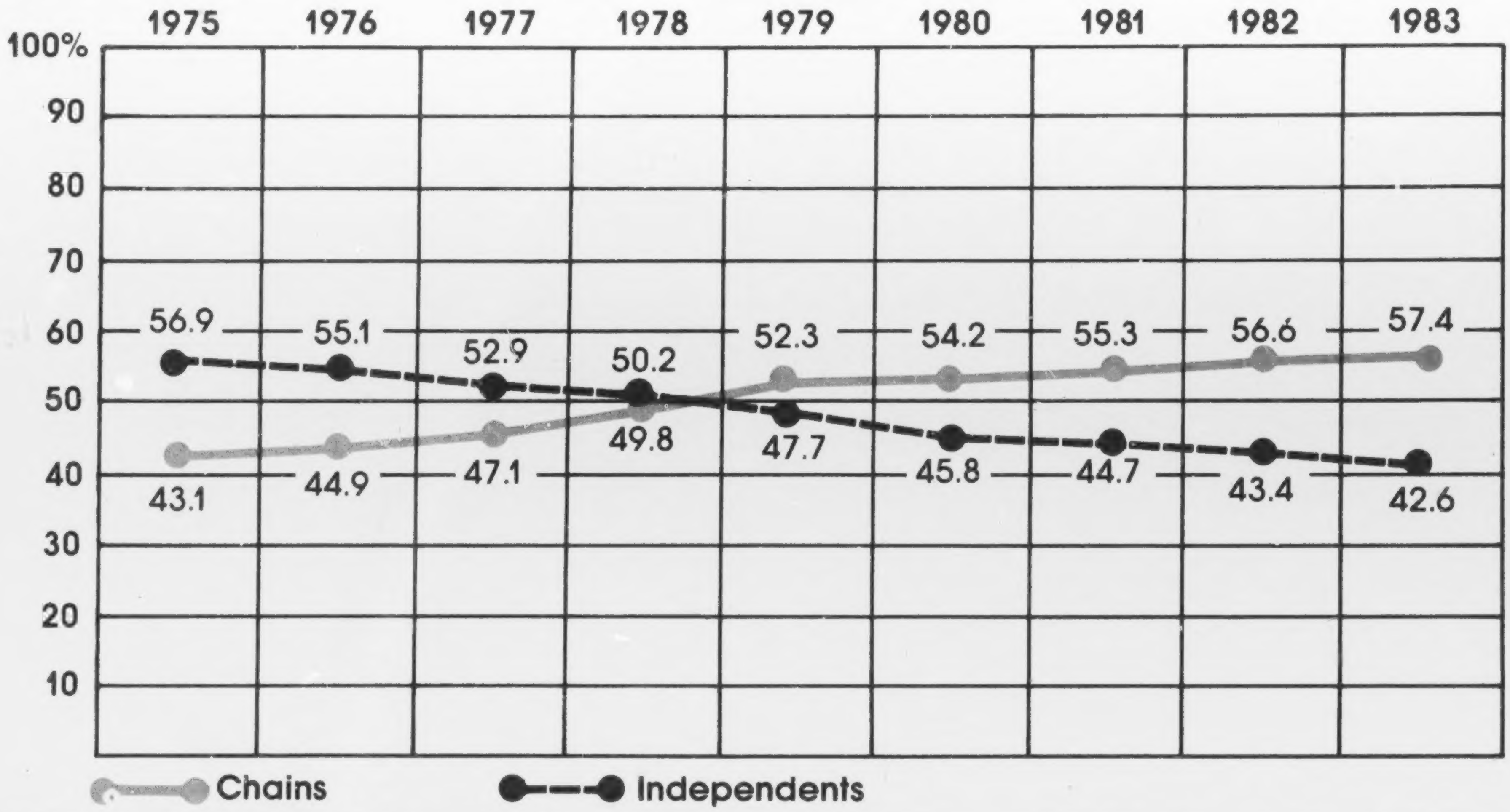
Drug chains, whose overall sales increased 11% over a year ago, either ther held or increased their importance in all Nielsen Territories. This is true even in Metro Los Angeles and the Remaining Pacific areas of the country, where they already dominate the market, and account for almost three out of every four dollars spent in drug outlets.

Total retail drug sales
(Chain stores vs. independents)



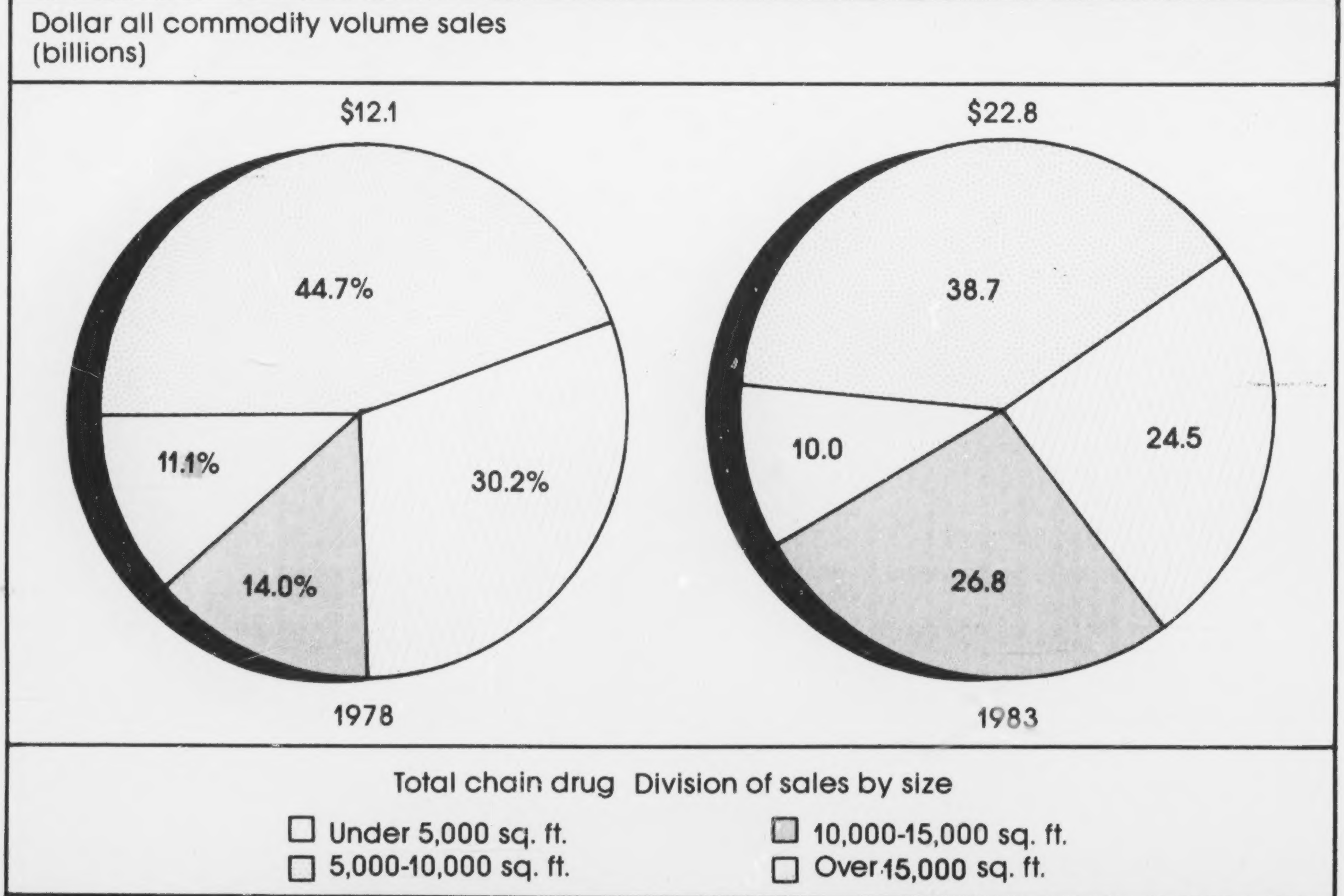
Source: A. C. Nielsen (12 months through December)

Market share trends for retail drug stores (chains vs. independents)



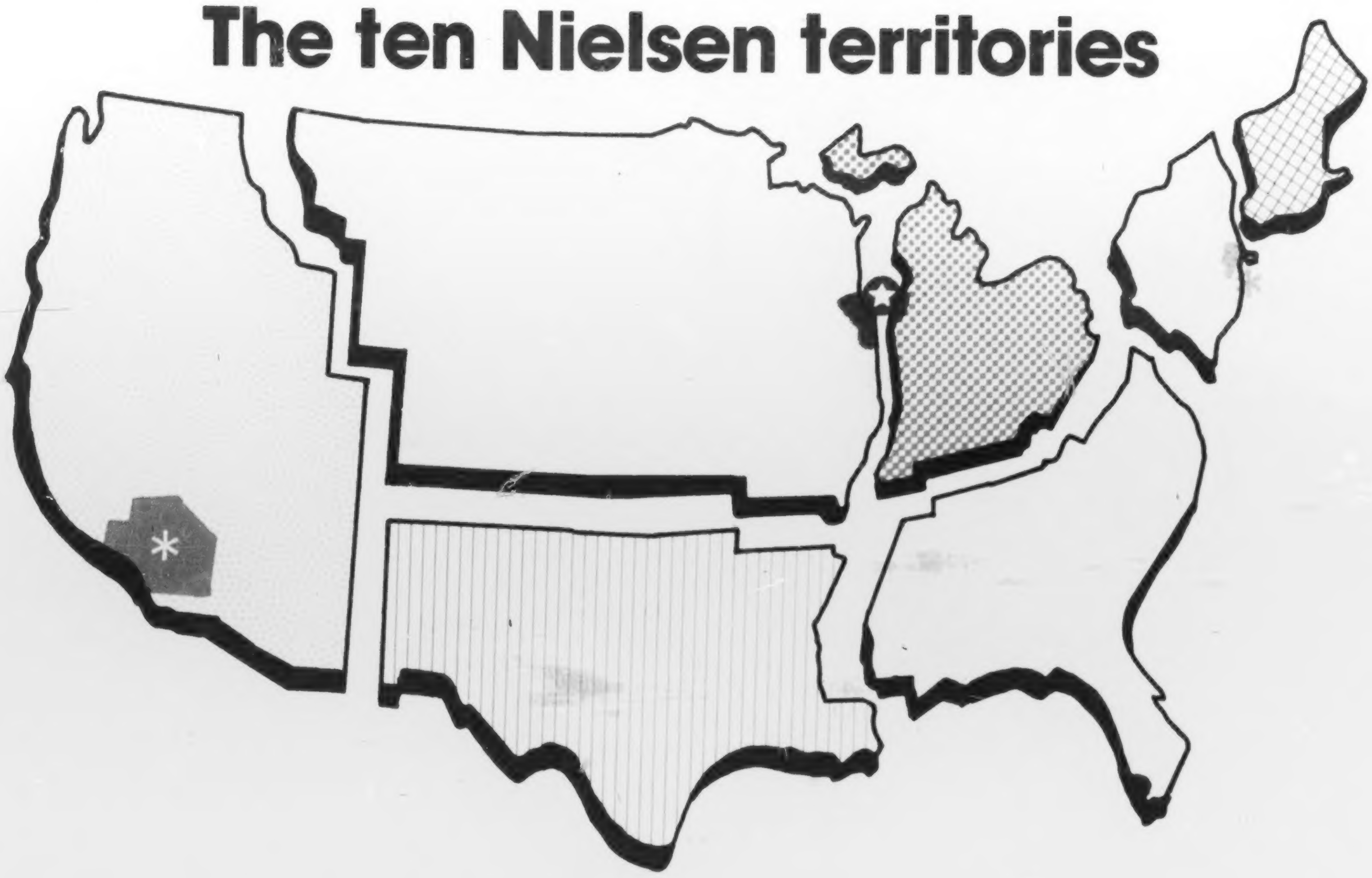
Source: A. C. Nielsen (12 months through December)

Share of chain drug store sales by store size



Source: A. C. Nielsen (12 months through December)

The ten Nielsen territories



Total retail drug strore sales by Nielsen territory

		1983 Total drug store dollar sales (billions)	Market importance to total U.S.	Per cent change vs. year ago (dollar sales)
	Total U.S.	$39.7	100.0%	+ 10%
▦	**New England**	2.0	5.1	+ 11
*	**New York**	1.9	4.9	+ 6
	Mid-Atlantic	4.4	11.2	+ 10
░	**East Central**	5.7	14.4	+ 9
★	**Chicago**	1.7	4.3	+ 10
▨	**West Central**	4.6	11.7	+ 9
	Southeast	6.7	16.9	+ 9
▥	**Southwest**	4.1	10.4	+ 10
*	**Los Angeles**	2.3	5.8	+ 9
░	**Remaining Pacific**	6.1	15.4	+ 11

Chain drug share of drug store sales by Nielsen territory

		Drug chain share of sales	Change vs. year ago
	Total U.S.	57.4%	+ 0.8
▦	**New England**	47.0	+ 2.6
*	**New York**	33.7	+ 1.1
	Mid-Atlantic	62.7	+ 0.2
░	**East Central**	54.5	0
★	**Chicago**	55.8	+ 0.5
▨	**West Central**	44.1	0
	Southeast	58.4	+ 1.8
▥	**Southwest**	53.7	+ 0.9
*	**Los Angeles**	74.1	+ 1.2
░	**Remaining Pacific**	73.4	+ 1.0

Source: A. C. Nielsen (12 months through December)

Chapter 3

HEALTH AND BEAUTY AIDS SALES TRENDS

HEALTH & BEAUTY AID SALES ACHIEVE 6% REAL GROWTH IN 1983 . . .

During 1983 sales of the total Nielsen 49 Health and Beauty Aid categories in drug, food and mass merchandisers combined grew by 6% on a weighted unit or "real" basis. Drug outlet real sales held better than steady actually increasing 1% over 1982. However food stores (and most combos are included here) increased unit sales 7%; while mass merchandisers realized a 12% increase in sales.

Total dollar sales in drug, food and mass merchandisers combined increased by 10%. However drug stores increased sales just 6% while food and mass merchandiser stores increased their H&BA sales by double that amount. Apparent price increases were lowest in mass merchandisers (+3%) while drug (+6%) and food (+5%) prices for the 49 categories increased at about the same rate.

NOTE: The Nielsen Health & Beauty Aid Index is currently composed of 49 selected over-the-counter toiletry, cosmetics, and remedial categories. No prescription items are included. The categories were selected based on the availability of long-term historical trend data and should not be construed as being representative of all *health & beauty aid and remedial products.*

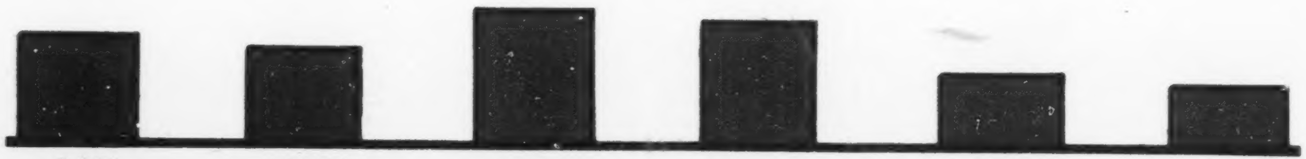
It should also be noted that because most combo stores (a food and drug store that sells prescriptions combined) do not separate food sales from drug sales, they are usually included in our food store sample. It is Nielsen's estimate that of the reported 1983 12% dollar gain in food stores for the Nielsen 49 Health

Nielsen 49 H&BA categories total retail sales and price trends for drug, food and mass merchandise stores (% increase)

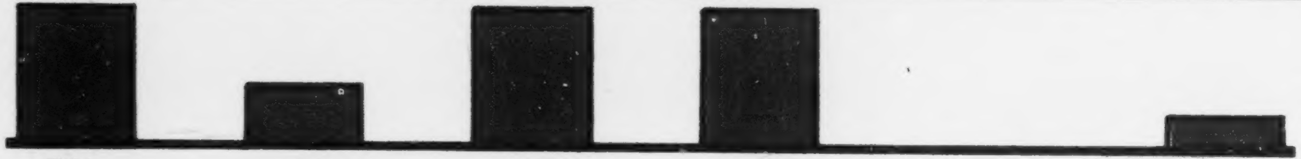
Dollar sales trends	1978	1979	1980	1981	1982	1983
3 industries combined	14%	12%	15%	15%	11%	10%
Drug stores	11	10	15	14	8	6
Food stores	14	14	17	17	12	12
Mass merchandise stores	20	10	13	14	14	15
Unit sales trends*						
3 industries combined	7%	3%	5%	5%	3%	6%
Drug stores	5	2	5	5	0	1
Food stores	6	5	5	5	4	7
Mass merchandise stores	13	2	3	4	8	12
Apparent average price trends*						
3 industries combined	7%	9%	11%	11%	8%	5%
Drug stores	7	9	9	10	8	6
Food stores	8	9	11	11	9	5
Mass merchandise stores	7	9	11	10	7	3

Source: A. C. Nielsen (12 months through December)
*Unit sales and price trends are weighted by the dollar importance of each category

Nielsen 49 H&BA categories - retail sales and price trends - drug stores (% change)



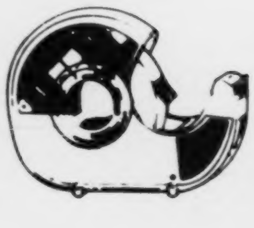
Dollar sales trends	1978	1979	1980	1981	1982	1983
Total 49 H&BA	11%	10%	15%	14%	8%	6%
Men's products	9	12	17	12	5	7
Skin care	8	4	17	14	3	2
Hair care	11	11	18	18	7	3
Oral hygiene	13	12	11	12	6	4
Color cosmetics	15	15	16	10	7	5
Internal medicines	13	8	13	13	10	12
External medicines	8	10	8	5	6	5
Paper goods	13	13	16	25	11	4

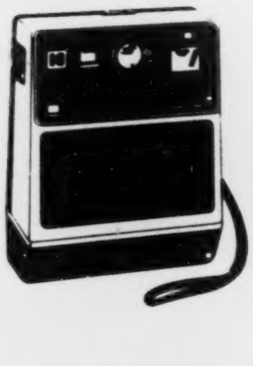


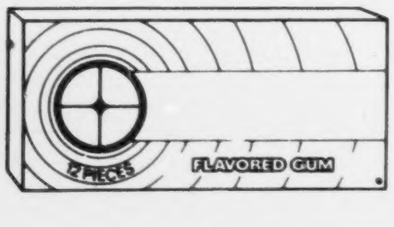
Unit sales trends	1978	1979	1980	1981	1982	1983
Total 49 H&BA	5%	2%	5%	5%	0%	1%
Men's products	5	1	4	0	−3	2
Skin care	3	−1	6	5	−4	−2
Hair care	6	2	8	8	1	−1
Oral hygiene	5	5	2	3	−1	2
Color cosmetics	8	6	8	3	0	0
Internal medicines	4	−1	5	1	0	3
External medicines	3	2	−1	−2	−2	−2
Paper goods	5	3	4	12	4	−1

Average apparent price trends	1978	1979	1980	1981	1982	1983
Total 49 H&BA	7%	9%	9%	10%	8%	6%
Men's products	4	11	13	11	9	6
Skin care	5	5	10	9	7	4
Hair care	6	10	10	11	7	4
Oral hygiene	7	7	9	9	7	2
Color cosmetics	6	9	7	7	7	6
Internal medicines	9	9	9	12	10	9
External medicines	6	8	9	8	8	8
Paper goods	8	10	12	12	6	4

Source: A. C. Nielsen (12 months through December)
*Unit sales trends are weighted by the dollar importance of each category

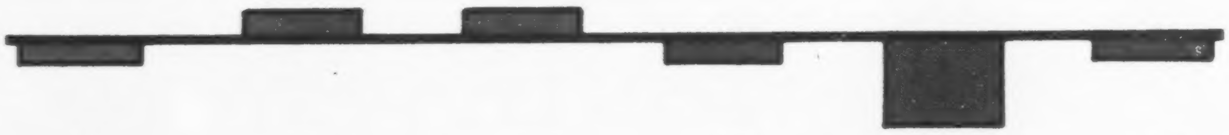




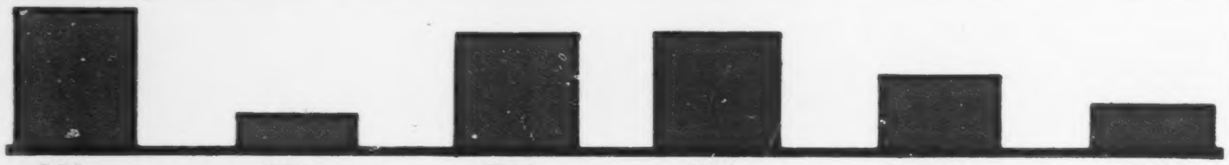


Nielsen 49 H&BA categories - inventory trends - drug stores (% change)

	1978	1979	1980	1981	1982	1983
Average inventory level* trends						



	1978	1979	1980	1981	1982	1983
Total 49 H&BA	−1%	1%	1%	−1%	−3%	−1%
Men's products	−3	0	0	−5	−7	−3
Skin care	0	−6	−4	1	−1	−1
Hair care	3	0	3	3	0	3
Oral hygiene	−5	4	−2	2	−2	−2
Color cosmetics	8	7	8	−3	2	−3
Internal medicines	−4	−1	−3	−3	−5	−2
External medicines	−5	−4	−5	−4	−5	−6
Paper goods	0	4	3	−3	−1	1
Annual average inventory* stockturns						
Total 49 H&BA	3.8	3.9	4.1	4.4	4.5	4.6
Men's products	3.5	3.6	3.7	3.9	4.1	4.2
Skin care	3.2	3.4	3.9	4.0	3.9	3.9
Hair care	3.9	3.9	4.2	4.4	4.4	4.3
Oral hygiene	4.8	4.8	5.1	5.1	5.1	5.3
Color cosmetics	2.1	2.1	2.1	2.2	2.2	2.2
Internal medicines	3.9	3.9	4.2	4.4	4.7	4.9
External medicines	3.5	3.7	3.9	4.0	4.1	4.3
Paper goods	5.7	5.7	5.7	6.6	7.1	6.9
Annual average* stockturn trends						



	1978	1979	1980	1981	1982	1983
Total 49 H&BA	6%	1%	5%	5%	3%	2%
Men's products	9	2	4	6	4	5
Skin care	3	5	11	4	−3	0
Hair care	3	2	5	5	0	−3
Oral hygiene	11	2	4	1	2	4
Color cosmetics	1	−1	0	7	−2	2
Internal medicines	9	0	8	4	6	5
External medicines	8	6	4	2	3	4
Paper goods	5	−1	1	15	6	−1

Source: A. C. Nielsen (12 months through December)
*Inventory level and stock turn trends are weighted by the dollar importance of each category

& Beauty Aid categories as a whole, approximately 2 points can be attributed to increased sales within combo stores and super stores.

INTERNAL MEDICINES ARE STRONGEST DRUG OUTLET CATEGORIES . . .

Within drug stores, the strongest category growth came from internal medicines, up 3% on a unit basis and 12% on a dollar basis. Men's products, up 7% in dollar sales and 2% in unit sales, and oral hygiene, up 4% in dollar sales and 2% in unit sales, also enjoyed strong growth in 1983.

Within the internal medicine grouping the headache remedies, and cold/sinus products categories were quite active during 1983. And within the oral hygiene grouping, mouthwash and dentifrice items are enjoying strong sales.

INVENTORY MANAGEMENT BECOMING MORE EFFICIENT . . .

"Real" or weighted average inventory levels in food, drug and mass merchandise stores combined for Nielsen's selected 49 Health & Beauty Aids increased 3% during 1983. However, drug outlet inventory levels did not rise. They fell 1% from 1983, marking the third year in a row that drug inventories have been reduced.

Some of the inventory declines in drug outlets is due to a slowing of sales as food outlets continue to account for a greater portion of HB&A purchases. On the other hand, drug retailers are also making more efficient use of their inventories by gradually increasing their rate of inventory stockturns.

DRUG OUTLET INVENTORIES REDUCED 1% AS EFFICIENCY INCREASES . . .

During 1983, drug stores reduced their "real" or weighted average inventory levels by 1% for Nielsen's select 49 Health & Beauty Aid categories. There were commeasurate increases in stockturns (inventory efficiency) as sales grew by 1%.

Since 1978, stockturns for the 49 H&BA's have increased 21% to a 1983 average of 4.6 turns per year in drug outlets.

Measuring from a year ago, stockturn rates increased in all groupings except hair care and paper goods. Inventory build ups within these two groupings were slightly greater than sales increases.

Nielsen 49 H&BA inventory trends for food, drug and mass merchandise stores (% change)

Total 49 H&BA	1978	1979	1980	1981	1982	1983
Average inventory level trends*						
3 industries combined	1%	2%	1%	2%	– 1%	3%
Drug stores	– 1	1	1	– 1	– 3	– 1
Food stores	1	4	4	3	1	5
Mass merchandise stores	8	1	– 1	4	0	11
Annual average inventory stockturns*						
3 industries combined	6.1	6.3	6.5	6.8	7.2	7.3
Drug stores	3.8	3.9	4.1	4.4	4.5	4.6
Food stores	9.6	10.0	10.1	10.4	10.7	11.0
Mass merchandise stores	5.5	5.6	5.9	5.9	6.4	6.5
Annual average stockturn trends*						
3 industries combined	6%	1%	3%	3%	4%	2%
Drug stores	6	1	5	5	3	2
Food stores	5	1	1	2	3	2
Mass merchandise stores	5	1	4	1	8	1

Source: A. C. Nielsen (12 months through December)
*Inventory level trends are weighted by the dollar importance of each category

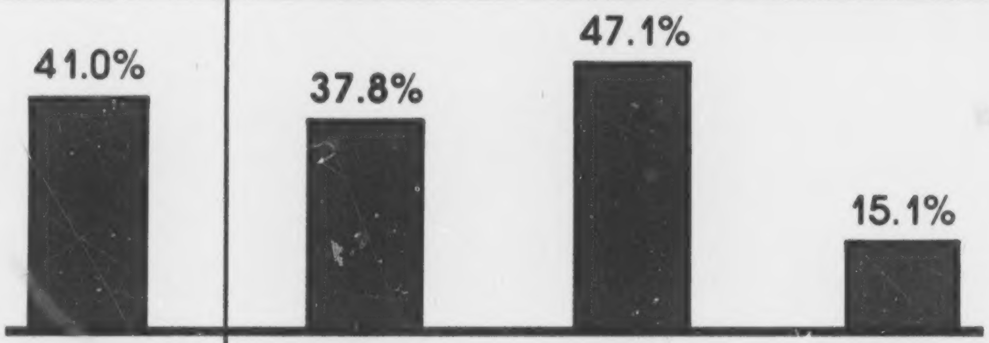
In 1983, drug stores accounted for a 37.8% share of drug, food and mass merchandiser combined dollar sales for all 49 of the select Health & Beauty Aids products tracked by Nielsen. However this is 3.2 points less than in 1979.

In 1983, drug stores still accounted for a commanding (although declining) share of foot remedies sales (67%), laxatives (66%) and color cosmetics (62%).

During 1983, drug store sales volume of the total Nielsen 49 Health and Beauty Aid categories reached $7.3 billion, or approximately 18% of total drug store dollar sales.

VICKS throat lozenges
LISTERINE
Cepacol
CEPASTAT
SUCRETS
spec-T
SINE-OFF
TYLENOL
Chlor-Trimeton

Drug store share of select H&BA dollar sales

	1979	1983		
	Drug	Drug	Grocery	Mass Merchandiser
Total 49 H&BA	 41.0%	37.8%	47.1%	15.1%
After shave lotion/colognes	61.5	59.4	15.7	24.9
Blades and razors	30.3	29.3	53.9	16.8
Shaving cream	35.1	31.9	51.6	16.6
Bath oil	51.8	50.3	33.5	16.2
Face creams and lotion	63.2	59.0	24.6	16.4
Hand and body lotions	48.7	48.2	36.4	15.5
After shampoo	39.8	38.6	43.0	18.4
Shampoo	31.2	29.0	52.5	18.5
Hair color	61.4	58.8	18.6	22.5
Hair fixatives	32.9	31.1	48.0	20.8
Men's hair preparations	39.1	38.1	46.2	15.7
Home wave kits	57.7	54.1	19.8	26.1
Mouthwash	30.4	28.3	55.6	16.0
Dentifrice	23.1	21.2	63.6	15.2
Color cosmetics	70.2	62.2	16.1	21.7
Deodorants	30.9	28.2	52.9	18.8
Feminine douches	48.7	42.5	40.7	16.8
Laxatives	69.1	65.6	27.1	7.3
Stomach remedies/antacids	51.4	49.1	41.7	9.2
Internal analgesics	40.9	38.0	52.4	9.6
Cold remedies	48.6	49.6	42.3	8.2
Sinus remedies	44.1	38.2	51.9	9.9
Foot remedies	70.5	67.0	24.0	9.0
Sanitary protection	26.9	24.9	62.2	12.9
Disposable diapers	11.2	10.4	78.3	11.3
Premoistened towelettes	24.8	18.4	62.5	19.1
Sun glasses	60.2	55.5	22.7	21.8

Source. A. C. Nielsen (12 months ending December)

Chapter 4

SPACE ALLOCATION FOR HEALTH AND BEAUTY AIDS

IN DRUG CHAINS HEADACHE REMEDIES GENERATE ONE OF THE HIGHEST PER FOOT PER MONTH SALES VOLUME.

The category of headache remedies generated the highest sales per linear foot in chain drug stores in 1983, averaging $43.96 per foot per month. Face creams & lotions were a close second with $42.75 in sales per foot per month, followed by disposable diapers and sanitary protection at $36.98 and $34.75 respectively.

Within drug independents, as in chains, the highest selling category was headache remedies averaging $33.63 per linear foot per month followed by face creams & lotions at $24.18. Laxatives were third with sales per linear foot per month of $21.68 and alkalizers were fourth with sales of $22.73 per linear foot per month.

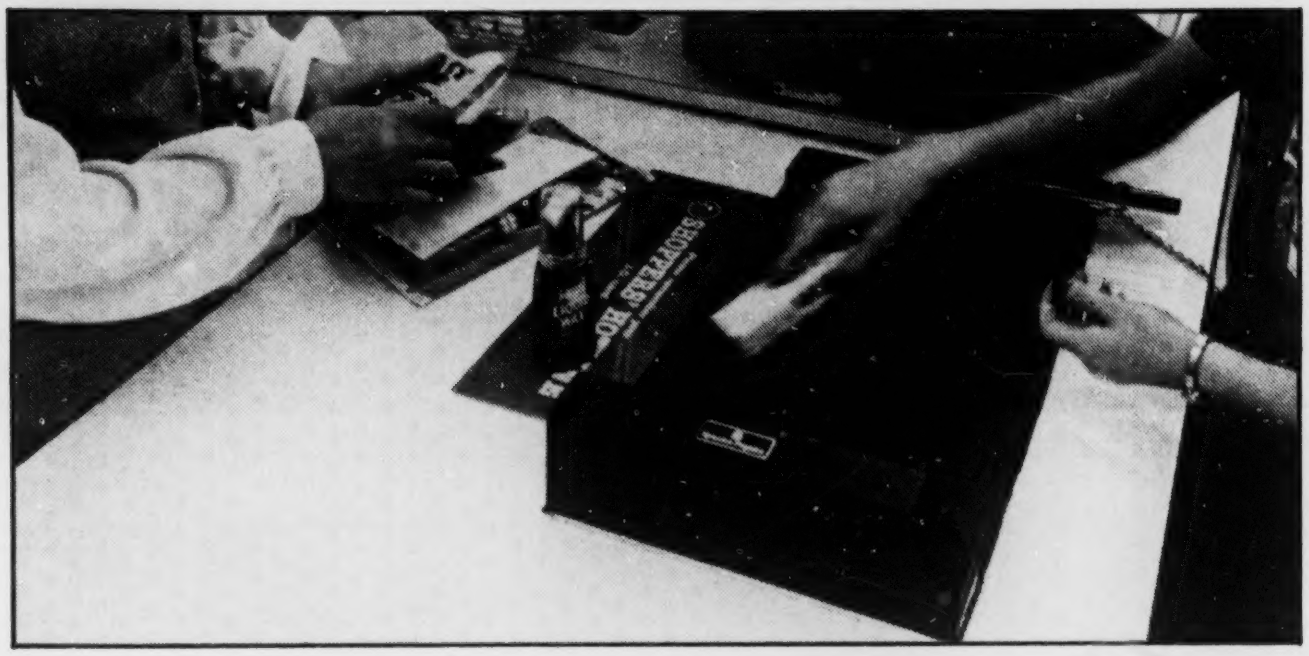
The amount of linear feet of shelf space allocated in 1983 to most of the selected 49 H&BA categories being tracked by Nielsen remained relatively stable for drug stores as a whole.

However there were some significant shifts in allocations within chain drug outlets. Cold remedies and sinus product space allocations increased 4 linear feet in 1983 over 1982 while headache remedies and OTC vitamin products both grew by 2 linear feet. In large independents, there were similar increases in these categories. All of these categories have been very active during 1983.

1983 Average dollar sales per linear foot of space allocation per month (chain and independent drug stores vs. food and mass merchandise stores)

	Drug chains	Drug Lg. independents	Food chains over $1 million	Mass merchandisers
Selected toiletries and personal care	-			
Shaving cream	$14.34	$ 7.07	$31.48	$22.18
Face creams and lotions	42.75	24.18	46.79	52.07
Hand lotions	23.32	14.21	32.25	29.90
Shampoos	23.20	12.94	48.07	39.11
Hair coloring	17.86	7.42	20.24	19.74
Hair preps	20.04	10.51	36.77	29.64
Home wave kits	21.85	10.93	19.17	28.12
Mouthwash	15.67	11.43	35.93	26.87
Dentifrice	22.11	12.24	62.75	22.08
Denture adhesives/cleansers	20.02	10.57	33.64	19.84
Deodorants	23.26	11.31	46.38	41.14
Selected remedial products				
Laxatives	29.76	21.68	37.91	32.63
Nasal sprays and drops	25.99	16.15	42.91	38.14
Alkalizers	29.36	22.73	53.97	30.20
Headache remedies	43.96	33.63	90.92	64.33
OTC vitamins	25.52	20.25	30.00	29.25
Acne remedies	20.79	10.66	32.89	19.94
Selected paper products				
Disposable diapers	36.98	15.81	100.24	50.88
Sanitary protection	34.75	20.45	74.63	45.92

Source: A. C. Nielsen (12 months through December)



Average linear shelf space allocations for select H&BA categories (Chain and independent drug stores vs. food and mass merchandise chains '82-'83)

	Drug Chains		Drug Lg. independents		Food chains		Mass merch.	
	82	83	82	83	82	83	82	83
Selected toiletries and personal care								
After shave and cologne	31	31	28	27	5	6	19	*22
Shaving cream and aerosol	20	19	12	12	9	9	19	18
Face creams and lotions	26	25	18	18	11	12	14	*16
Hand lotions and creams	31	30	16	15	7	7	21	22
Shampoos	69	69	35	34	37	*40	65	*70
Hair coloring	68	64	35	35	14	15	50	*56
Hair fixatives	37	39	15	15	16	17	39	41
Hair preparations (including ethnic)	70	71	34	33	24	*28	56	58
Home wave kits	18	17	11	10	5	5	16	17
Mouthwash	35	32	13	13	18	19	33	30
Denture adhesives/cleaners	26	26	17	15	10	10	16	16
Dentifrices	41	42	18	18	26	*29	34	*37
Deodorants	61	60	30	29	34	*36	57	59
Selected remedial categories								
Laxatives	37	36	26	26	8	9	14	13
Nasal sprays and drops	11	11	8	8	4	4	5	5
Cough syrups	21	19	16	15	6	6	8	8
Alkalizers	38	37	26	26	11	12	18	19
Headache remedies	46	48	27	*29	19	*21	27	28
Cold remedies and sinus products	35	*39	25	*27	13	*15	18	19
OTC vitamin products	81	83	55	*59	23	*29	35	*42
Acne remedies	19	18	15	15	6	6	9	*11
Selected paper products								
Disposable diapers	35	35	12	12	42	*48	49	*60
Sanitary goods	62	60	30	31	38	*41	60	61
Selected general merchandise								
Motor oil	15	14	6	5	16	15	44	*47
Health and diet foods	31	24	14	13	65	*72	14	11

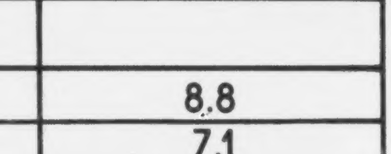
Source: A. C. Nielsen (April 30, 1982 vs. April 30, 1983)
* represent significant increase in shelf space.

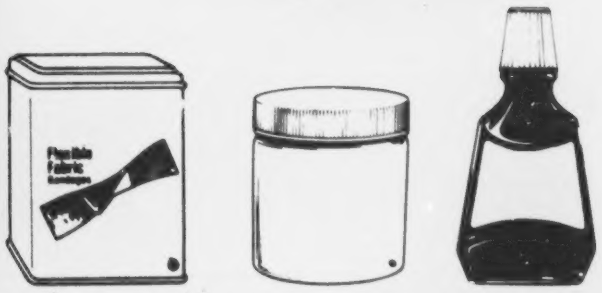
1983 average annual inventory turnover (chain and independent drug stores vs. food and mass-merchandise stores)

	Drug chains	Drug Lg. independents	Food Chains over $1 million	Mass merchandisers
Selected toiletries and personal care				
Shaving cream	6.1	3.3	10.6	7.6
Face creams and lotions	4.8	2.6	6.5	5.7
Hand lotions	5.4	2.9	7.6	5.9
Shampoos	5.0	3.1	10.0	6.8
Hair coloring	4.3	2.2	4.0	4.3
Hair preparations	4.7	2.9	7.4	5.7
Home wave kits	4.9	3.1	4.6	5.9
Mouthwash	6.6	4.1	11.5	7.7
Dentifrice	6.3	4.2	13.9	8.3
Denture adhesives/cleansers	6.9	4.0	8.7	8.4
Deodorants	6.0	3.2	9.9	7.3
Selected remedial products				
Laxatives	7.2	4.6	8.3	6.3
Nasal sprays and drops	5.9	3.4	6.7	5.4
Alkalizers	6.8	3.7	7.8	6.1
Headache remedies	7.1	4.1	9.9	6.5
OTC vitamins	4.3	3.0	5.0	4.5
Acne remedies	5.5	3.1	6.5	5.4
Selected paper products				
Disposable diapers	9.9	4.4	33.5	8.8
Sanitary protection	6.7	4.0	14.3	7.1

Source: A. C. Nielsen (12 months through December)

Prescriptions





Chapter 5

SCANNING UPDATE

SCANNING STORE UNIVERSE

During 1983, the number of grocery stores with scanning installations grew by 26% to 8,150. These stores currently account for 35% of total food store dollar sales volume. We project that within three years, the number of scanner equipped food stores will increase by an additional 55% and that these stores will account for 50% of total food store sales.

By December 1983, scanner equipped supermarkets accounted for 69% of total food store sales in Denver, the major market with highest scanner development. Closely following are Los Angeles (60%), Miami-Fort Lauderdale (59%), Chicago (55%), St. Louis (55%) and Seattle-Tacoma (54%).

Rapid increases in the number of UPC coded products and sharp declines in the cost of scanning systems have not only helped to maintain the trend of new scanning installations in retail food stores,

SHOPPERS' HOTLINE

Scanning growth trends for grocery stores

Year*	Total grocery stores with scanning	Average new scanning stores per month	Estimated % of sales rung up by scanning stores
1977	209	17	0.4%
1978	535	27	2.0
1979	1,387	71	6.0
1980	2,931	129	14.0
1981	4,568	137	21.0
1982	6,486	159	28.0
1983	8,150	139	35.0
1984°	9,826	140	41.0
1985°	11,328	125	46.0
1986°	12,645	110	50.0

*At year-end December

Source: A. C. Nielsen Co.

Overview of food store scanning markets

Major market	Number of food stores scanner equipped 12/83	Food store's share of all commodity volume 12/83
Total U.S.	8,150	34.5%
Albany-Schen-Troy	35	28.9
Atlanta	112	29.9
Balt.-Wash.	278	44.7
Birmingham	66	33.4
Boston	201	34.6
Buffalo	36	23.4
Charlotte	36	13.2
Chicago	302	55.2
Cincinnati	100	37.7
Cleveland	141	31.2
Dallas-Ft. Worth	190	39.4
Denver	140	69.2
Detroit	102	25.0
Grand Rapids	44	30.1
Houston	196	42.2
Indianapolis	112	37.6
Jacksonville	96	49.3
Kansas City	158	46.0
Los Angeles	611	58.9
Louisville	58	32.1
Memphis	30	12.4
Miami-Ft. Laud.	215	58.5
Milwaukee	78	37.2
Minn.-St. Paul	134	38.4
Nashville	79	27.7
New York	196	26.8
Oklahoma City	26	15.5
Omaha	59	34.0
Philadelphia	131	23.7
Phoenix	32	14.8
Pittsburgh	155	33.1
Portland	137	33.8
Rochester	32	42.2
Sacramento-Stock.	34	16.8
St. Louis	198	55.4
San Antonio	9	5.3
San Francisco	183	37.4
Seattle-Tacoma	231	53.5

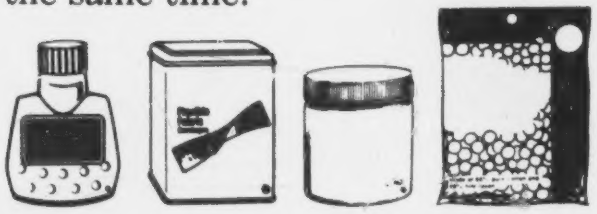
Source: A. C. Nielsen

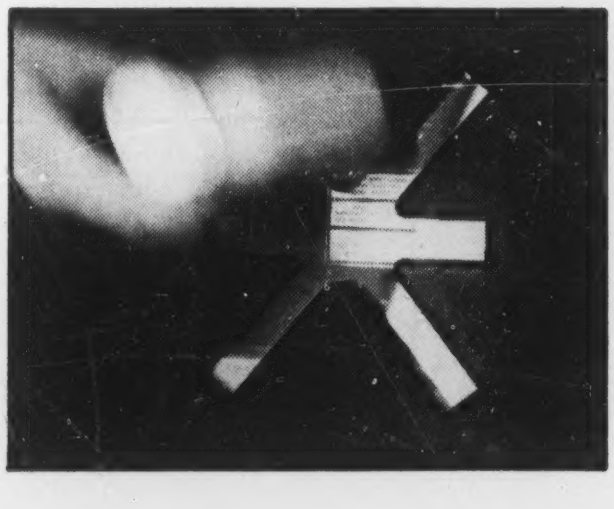
but also have encouraged the development of scanning point-of-sale systems in other types of retail outlets. Drug retailers such as Revco, Pay-N-Save, Eckerd, SuperX, Medi Mart (Boston), Drug Fair (New Jersey), Save-On and Peoples are well into experimenting with the systems and the McKesson Corporation, a drug wholesaler, has just announced an integrated cash register/pharmacy point-of-sale scanning system.

Of course the list of hard cost savings that are used to initially justify the system installation keeps growing. Improved price control, shrink reduction, and improved employee productivity are immediate gains for any type of retailer. Direct store delivery control, price removal, and automated reordering are additional significant hard cost benefits that are being realized by those retail organizations using or experimenting with scanning technologies.

In addition to the hard cost savings available to retailers installing scanning systems, there are soft savings that can be realized. Of particular interest is the ability to link the effects of retail level promotions on consumer sales.

The promotional evaluation chart, drawn from the Nielsen experience with scanning generated information in grocery stores, is an example. Here, a mouthwash manufacturer offered a large trade allowance to encourage retailer promotional support on his item. For the item alone, average weekly sales jumped 652% (752 index points) above sales during non-promotional periods in stores that supported the item with both a display and a major ad; and, average weekly sales for the entire category increased by 62% (162 index points) at the same time.



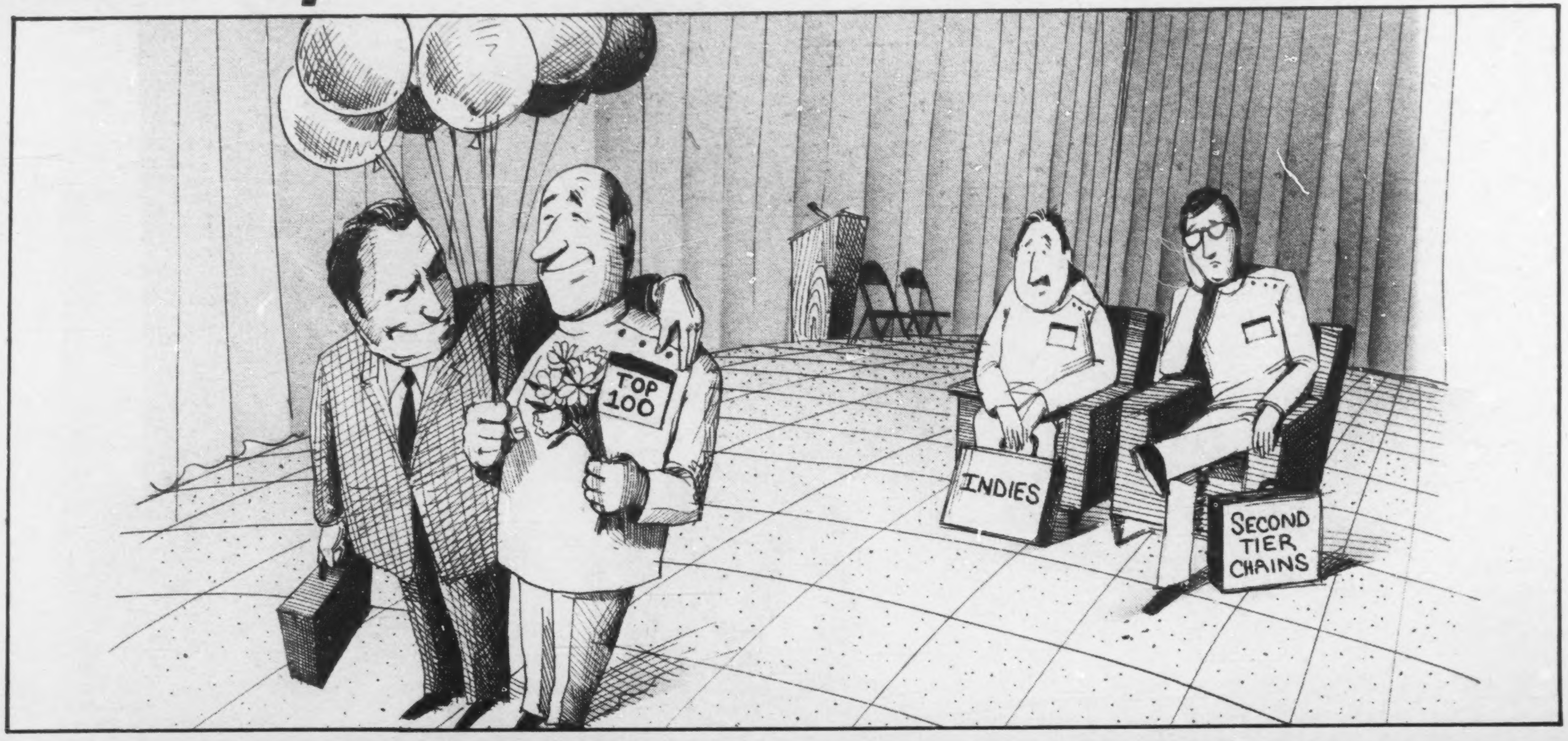


Promotional Evaluation

	Mouthwash Brand 24 oz. Size	Total Category
Stores not promoting	100	100
Display only	278	104
Major Ad only	484	123
Display & Major Ad	752	162

OTC Buyer Survey

Detailers visit Top 100 chains most frequently



NEW YORK — Can a retailer who is an independent drug store operator or an over-the-counter product buyer for a chain ranked somewhere between 101 and 200 in dollar volume expect the same service from over-the-counter product manufacturers as Top 100 chains?

According to a recent Lebhar-Friedman study commissioned by *Drug Store News*, he or she generally cannot.

On average, detail sales personnel from over-the-counter product manufacturers service the drug store retailer quite diligently. However, there are significant differences in the frequencies of service provided to Top 100 chains as compared with second-tier chains and independent drug store retailers.

According to the Lebhar-Friedman survey of chain and independent OTC buyers, 97% of all Top 100 chain buyers report that they see an OTC detail person at least once every three months. However, only 80% of buyers for second-tier chains and just 77% of buyers for independent retailers report that they see an OTC person that frequently.

Furthermore, the survey found that specific manufacturers have a habit of visiting Top 100 chain buyers much more frequently than they visit either independents or buyers for second-tier chains.

When we tried to assess how effective vendor salesman really are as sources for communicating important product information to OTC buyers, we found that twice as many Top 100 chain buyers found salesmen to be "very effective in communicating information" than did their second-tier and independent counterparts.

We also found that most OTC buyers rely heavily on trade news stories and trade news advertising for learning about particular OTC products. Buyers for second-tier chains and for independents are especially dependent on this information.

Visits from manufacturers

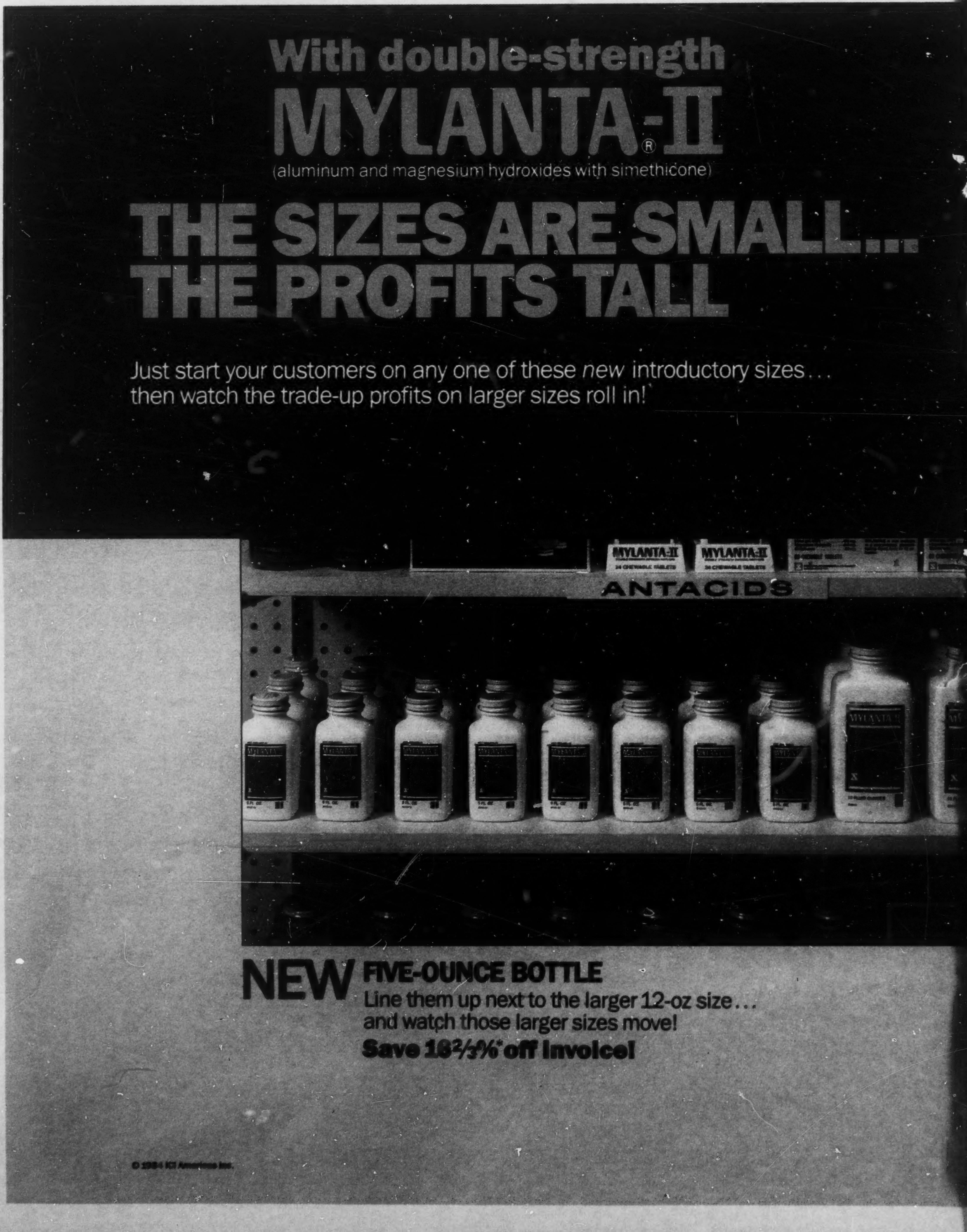
Even manufacturers with the most balanced schedule of detailing visits tended to see buyers for Top 100 chains more frequently then they did buyers for second-tier and independent operations.

We asked our respondents how often they saw detail people from 38 specific manufacturers and only reps from six companies were visiting at least 70% of our respondents at least once every three months.

However, five of those six were visiting 9 out of every 10 top 100 chain OTC buyers at least once every six months. These companies included Parke-Davis, Upjohn, Lederle, Rorer, A. H. Robbins and Schering Plough.

The worst companies on our list were getting to just 1 out of every 10 OTC buyers once every three months, and oddly enough, they were neglecting the Top 100 chains almost as

Continued on page 95



With double-strength
MYLANTA-II®
(aluminum and magnesium hydroxides with simethicone)

THE SIZES ARE SMALL...
THE PROFITS TALL

Just start your customers on any one of these *new* introductory sizes...
then watch the trade-up profits on larger sizes roll in!

NEW FIVE-OUNCE BOTTLE
Line them up next to the larger 12-oz size...
and watch those larger sizes move!
Save 16⅔%* off Invoice!

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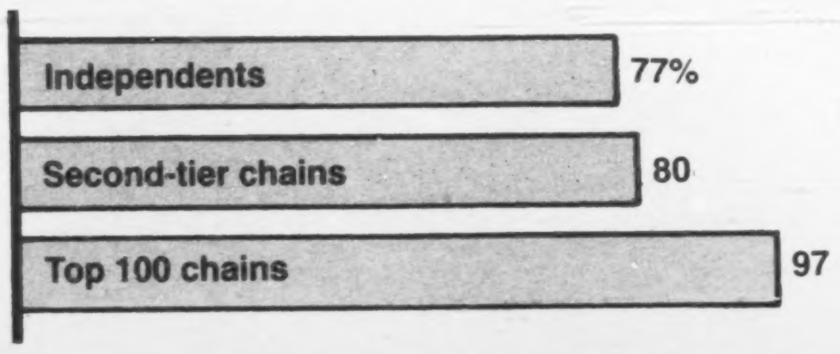
Available in September on
1 w/11 Deal for 39% profit
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

Buyers from large chains are visited more often

Percentage of buyers who see a rep every 3 months



Source: *Drug Store News* OTC Buyer Survey

OTC Buyer Survey

Indies and smaller chains see detailers less often

Continued from page 94

badly as they were the independents and the smaller-volume chains.

Overall, however, the manufacturers named in our survey tended to see the Top 100 chains anywhere from two to 15 times more frequently than they did independents. But interestingly they tended to see Top 100 buyers only two to five times more frequently than they did buyers for second-tier chains.

Effective vehicles

The more often an OTC buyer saw an OTC detailing person, the more likely he or she was to pick that salesman as the most effective vehicle for learning about the product.

Two chain buyers, who had the best access to vendor reps, picked reps as their best source of information about OTC products 80% of the time.

In contrast, however, independents and buyers for second-tier chains, who were less exposed to vendor reps, picked them as the most effective source of information only four out of every 10 times.

Trade newspaper stories and trade ads also ranked as very effective information vehicles for OTC buyers as did direct-to-consumer advertising.

Advertising

Analgesics was the most frequently advertised OTC category for the buyers we surveyed. All our respondents picked analgesics as the category they advertise most frequently and it was also the category that earned the highest scores for drawing traffic.

However, we also found some interesting contradictions in our study. Nearly 7 out of every 10 independents said they frequently advertised antacids and cough/cold products, but oddly less than 2 out of 10 independents picked these categories as good traffic draws.

In a similar vein, 8 out of every 10 OTC buyers for second-tier companies said they frequently advertised cough/cold and vitamin products, but only about half of these buyers considered them a "best drawing" item.

Apparently retailers are opting to advertise some products to take advantage of manufacturer deals and promotional allowances even though buyers seem to feel their drawing power may be limited.

Top 100 chains, however, may know something about dental products that independents and second-tier chains do not know. For Top 100 chains, dental products are their second-best drawing category. However second-tier chains ranked the category fourth on their list while independents ranked it sixth. Just 4 out of every 10 independents and 5 out of every 10 second-tier chain buyers said they ran dental products on ad "very frequently" compared with 9 out of every top 100 buyers who said they did so.

Dental products, of course, have a very high consumption frequency, especially when compared with a product like laxatives that people tend to use only when needed. Chain OTC buyers seem to acknowledge this when they rate laxatives relatively low on their list of best drawing advertised products, but independents put laxatives in fourth place, ahead of cough/cold products and dental aids.

Merchandising aids

For generating impulse sales from in-store displays, chains of all sizes preferred floor-stand displays as their most effective merchandising vehicle while independents favored special endcap displays.

Top 100 chains and independents both liked rebate coupons, ranking them as their second most effective merchandising aid while second-tier chains ranked them fourth.

Second-tier chains preferred special counter displays, but that particular merchandising tool was the fourth choice of independents and the fifth choice of top 100 chains.

Two aids that our researchers discovered were very available from manufacturers got exceptionally low effectiveness ratings from retailers: sweepstake contest forms and specially built gondolas.

The greatest introductory offer ever!

NEW CONVENIENCE POCKET PACKS...
24 tablets per pack,
6 packs per display tray

The 24's they pick up next to your register will bring them back looking for the 60's on the shelves!

Save 16⅔%* off invoice!

ANTACIDS
MYLANTA-II
MYLANTA-II
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Two new ways to stronger profits

PROMOTIONAL ALLOWANCES				PROMOTIONAL SUPPORT
Promotional Allowance	Plus Advertising Allowance	Plus Merchandising Allowance	Plus Initial Facing Allowance	
*5-oz Liquid 16⅔% off invoice	†Up to **$.75** per case option A or ‡**$.50** per case option B	§**$.50** per case	**$.50** per case	• Direct to Consumer National T.V. Promotion 1,250 GRP June to December 85% Reach 1.2 Billion Impressions • Year-Round Physician Detailing and Sampling • Major Medical and Trade Journal Advertising Support
*24's Tablets 16⅔% off invoice	†Up to **$.75** per case option A or ‡**$.50** per case option B	§**$.50** per case (12 units) §**$.25** per display (6 units)	**$.50** per case **$.25** per display	

Also available: **2%** billback allowance for four-color roto advertising or in-store coupon programs.

Retail buy-in period: August 27 through October 19, 1984
Advertising performance period: August 27 through December 28, 1984
Claim deadline: To be honored, all advertising claims must be made within 45 days of publication.

Contact your Stuart Representative for full details.

*Through participating wholesaler
†All ads should feature both liquid and tablets
‡Provided advertising coverage is in at least 75% of the retailer(s) trading area
§For floor, end-cap, checkout, register, or counter display

STUART PHARMACEUTICALS
Division of ICI Americas Inc.
Wilmington, Delaware 19897

Changing weather means more cold sores. **Stock up now with**

HERPECIN-L®

Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

OTC Buyer Survey

Top chains introduce the most new products

NEW YORK — In the OTC/Proprietary category, the Top 100 chains introduce the most new products during the course of a year and their buyers again report feeling the most satisfied with the support and service levels they received from manufacturers.

Buyers for the Top 100 chains reported introducing an average of 86 new products in the course of a year while buyers for second-tier chains introduced an average of 72, and independents an average of 40.

When a Top 100 chain introduces a new product, management usually takes space from existing products rather than expand the department. Seven out of 10 Top 100 merchandisers weed out slower movers or poor profit-producers to make way for promising new products. In contrast, second-tier chain merchandisers are just as inclined to expand the department as they are to pare it (50-50). Six out of every 10 independents will expand a department rather than pare it.

Chains are also much quicker to bring the product in through their own distribution center where they can carefully monitor it. Nine out of every 10 Top 100 chain buyers choose to pull the new product through their distribution centers rather than buy it through a wholesaler. In contrast, the ratio is reversed for independents: only 1 out of every 10 independents chooses to initially warehouse a new product. The rest buy it through a wholesaler. Six out of every 10 second-tier merchandisers also choose to initially buy through a wholesaler.

Whether a new product is an ethical OTC or a general OTC, buyers still want the manufacturer to deliver key information on four basic areas: the basics on advertising and promotional programs, an analysis of competitive pricing, the requirements for the initial stocking order and typical consumption/usage patterns.

The Top 100 chains, however, put the most emphasis on the basics of advertising and promotion programs, while second-tier chains put their first priority on competitive pricing analysis. The independents agreed with the chains. They first want to know the basics on advertising and promotion. Everyone agrees that competitive pricing information is next in importance, but buyers for large independents also want to know about stock order requirements, making that a third priority.

Once again when it comes to detailing retailers, buyers from the Top 100 chains registered receiving a higher level of service and more satisfaction than their second-tier and independent counterparts.

Out of 14 manufacturers whose new-product launches were studied in our survey, six, or 43%, visited the chains more frequently than they had visited independents, as much as two to five times more frequently, depending on the manufacturer.

Moreover, 12 of the 14, or 86%, visited the Top 100 chains more frequently than they had visited second-tier chains. Again depending on the manufacturer, the Top 100 respondents reported being visited anywhere from two to 10 times more often then second-tier chains.

The impact of these varying frequencies was very clear in the satisfaction ratings our respondents gave the various manufacturers. Top 100 chain respondents gave eight of the manufacturers (57%) a 3.9 very satisfactory rating, compared with one such rating (7%) from a second-tier chain and two (14%) from an independent.

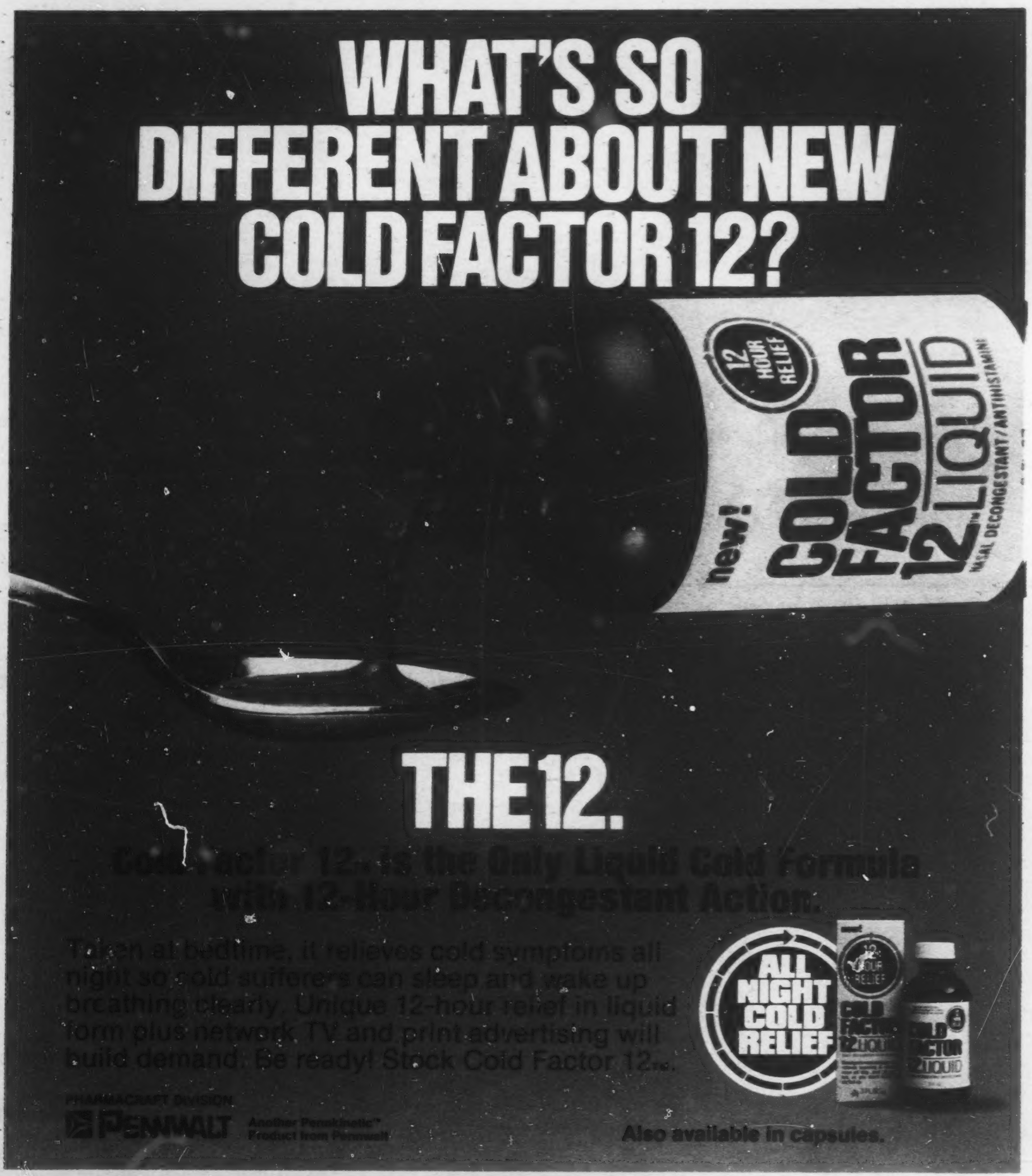
It is clear that manufacturers and retailers who maintain a close personal connection and a high level of interaction are happier with their relationship.

Types of information desired for a new OTC product

Percentage of respondents who want this type of information from detailmen

	Total	Independents	Top 100	Second-tier
Basics on ads/promos	89	87	100	80
Competitive pricing analysis	81	83	73	87
Initial stock order requirements—shelf pack, cube size, etc.	68	83	57	63
Consumption/usage patterns	67	77	67	57
Distribution methods	66	70	63	63

Source: Drug Store News OTC Buyer Survey


WHAT'S SO DIFFERENT ABOUT NEW COLD FACTOR 12?

THE 12.

Cold Factor 12™ is the Only Liquid Cold Formula with 12-Hour Decongestant Action.

Taken at bedtime, it relieves cold symptoms all night so cold sufferers can sleep and wake up breathing clearly. Unique 12-hour relief in liquid form plus network TV and print advertising will build demand. Be ready! Stock Cold Factor 12™.

PHARMACRAFT DIVISION
PENNWALT
Another Pennkinetic™ Product from Pennwalt

Also available in capsules.
new!
COLD FACTOR 12 LIQUID
12 HOUR RELIEF
NASAL DECONGESTANT/ANTIHISTAMINE
ALL NIGHT COLD RELIEF

Take the bite out of braces... and a bite out of an untapped market —4,400,000 dental brace wearers.

Stock and recommend
orajel®
brace-aid™
for the pain and irritation caused by dental braces.

oral anesthetic gel
gives immediate relief of pain, soreness and irritation.

oral hygienic rinse
cleanses mouth cuts and inflamed sore areas.

- Clinically tested at a leading dental school.
- Advertised to parents and teenagers in leading national magazines.
- Heavily promoted to orthodontists through advertising and mail sampling.

Order now from your wholesaler, or contact your Commerce Drug Company representative.

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Fast relief of
Pain due to braces
NEW
orajel brace-aid oral anesthetic GEL
Cleanses and disinfects
Sore and inflamed areas due to braces
NEW
orajel brace-aid oral hygienic RINSE

Not only **treats** cold sores, but also **protects** to help **prevent** them
HERPECIN-L®
Cold Sore Lip Balm. *"It Works!"*
Write: CAMPBELL LABORATORIES, INC.
P.O. Box 812-A, FDR, NY, NY 10150

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removed with NON-CAUSTIC
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OTC Buyer Survey

OTC conversions spark sales increase for retailers

Total sales in the over-the-counter category in drug stores increased more than 12% last year, sparked by a late breaking flu season and the public's acceptance of former prescription-only products converted to OTC status.

The addition of just one OTC converted product, Drixoral, hyped sales 54% in the cough/cold category for Page Drug in Dallas while a recently converted decongestant, Actifed, took seventh place in unit volume sales in *Drug Store News*' Top 100 volume OTC products study.

Obviously aware of the positive impact of conversions on OTC sales, most of the retailers contacted in *Drug Store News*' recent OTC industry study, report that they are currently increasing shelf space for the category, and doing so primarily because of conversions.

They also report that they are getting more requests from customers for help in shopping the category and that there is growing customer confusion about the OTC products in the category.

Nearly 8 out of 10 independents in our study reported that they have increased space for OTC products. Three out of 10 say they see "growing customer confusion."

Many of these retailers also say they are taking advantage of this increased exposure and contact with consumers to improve their service and store image. Others are saying that the confusion over which product to buy is giving their pharmacists a chance to display their professionalism and concern.

However, even though OTC buyers are reporting that they see an emerging need from consumers to be given more guidance in selecting OTC products, they are still about equally divided on the question of creating a third class of drugs— selected nonprescription products sold only by a pharmacist.

Half the respondents in our survey were in favor of creating a third class of drugs (to be sold by pharmacists only) and 46% were against. Four per cent said they had no opinion.

Independents and second-tier chains were most in favor of a new class (60% and 53% respectively favored it) and the Top 100 chains were the least interested (37%) in favor.

Buyers and merchandisers also pointed out that the creation of a third class of drugs would also help the consumer by letting them cut back on unnecessary visits to their doctors. "They'd save money because they wouldn't have to go see their doctors as often," many said.

How the study was conducted

Findings in this survey are based on a total of 90 15-minute telephone interviews with buyers of over-the-counter drug products for chains and independently owned retail drug stores.

Thirty completed interviews were conducted among independents, and 60 interviews were completed among chains. The number of respondents among chains was evenly divided among the 100 largest drug retailers and smaller chains. These second-tier units ranked between 101 and 200 in dollar sales volume for 1983.

Some 22% of the chain respondents in the survey worked for companies with five or fewer stores; 20% worked for companies with six to 10 units; 20% worked for firms with 11 to 20 units; 15% worked for companies with 21 to 99 units, and the remaining 20% worked for companies operating 100 or more units.

Qualified chains were selected at random from the 1983 Lebhar-Friedman *Directory of Drug Stores and H&BA Chains*. Independent stores were randomly selected from a combination of *Drug Store News* circulation lists and the Dun and Bradstreet listing of independents.

A qualified respondent was the individual responsible for purchasing OTC health aids and medications.

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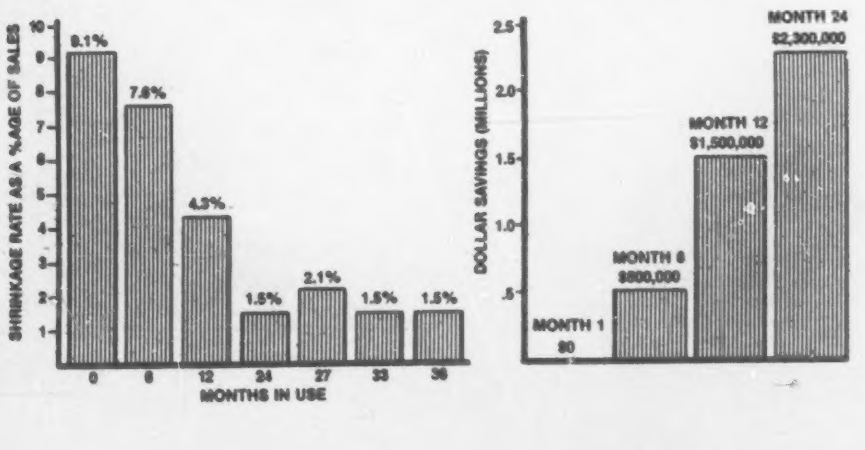

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INTRODUCTION OF NIELSEN SCANTRACK MAJOR MARKETS

In November of 1984, the A. C. Nielsen Company will incorporate a new scanning based food store analysis and reporting service into its regular consumer sales measurement services. The enhancement, called Nielsen ScanTrack Major Markets, will initially be available in ten major market areas where scanning based food retailers account for between 70% to 80% of total large supermarket dollar volume (supermarkets are defined as those stores with annual volumes of $4 million and over). These markets are Boston, Chicago, Houston, Indianapolis, Kansas City, Los Angeles, Jacksonville/Orlando, Suburban New York, San Francisco and Seattle.

Nielsen ScanTrack Major Market Service will be available to both manufacturers and cooperating retailers. It represents a major investment on Nielsen's part to begin transforming the mass of data available from scanning into manageable reports that can enhance the making of major marketing sales and merchandising decision.

The advent of scanning based reporting technology will add several new analytical dimensions to help increase marketing and merchandising productivity. This includes the ability of scanners to record all important consumer sales transaction elements on a store-by-store, week-by-week, and UPC-by-UPC basis.

A second new analytical dimension opened up by scanning technology will be the direct linking of merchandising tactics with sales. The information can be tabulated in time intervals that fit the analysis allowing greatly improved promotion and retail price analysis as well as new item evaluation.

A third dimension, really a by-product of scanning technology, will be the development of a product identification language common to manufacturers, distributors and retailers. The key to this common language is the universal product coding system, a numeric code that will remain the same throughout the distribution channel. This will permit the development of reports that can be understood by all participants involved in manufacturing, distributing and retailing consumer goods.

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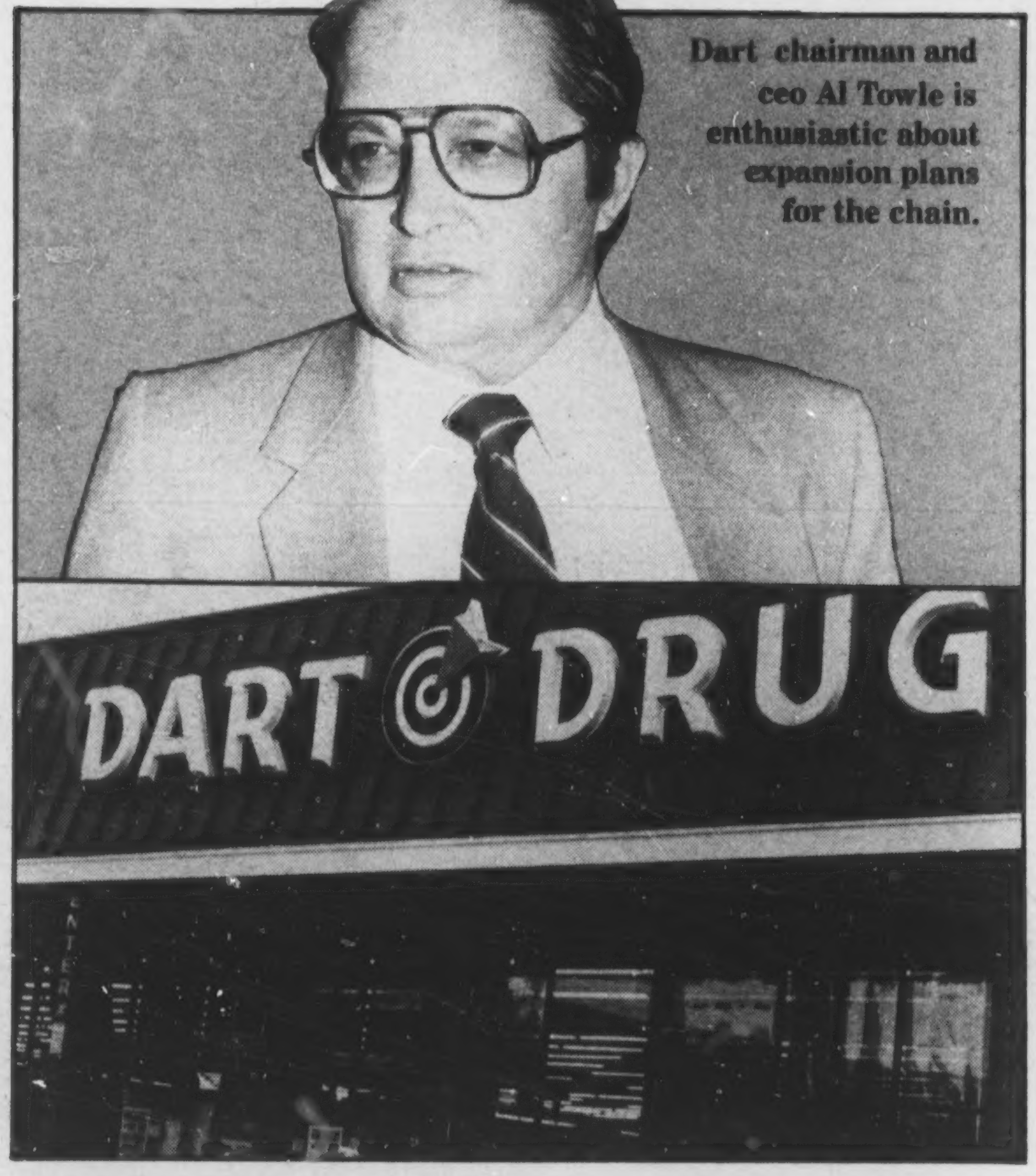
DRUG STORE NEWS®

Vol. 6/No. 17 Serving the Retail Drug Store Industry for 55 years Published by Lebhar-Friedman Inc. September 17, 1984



Dart chairman and ceo Al Towle is enthusiastic about expansion plans for the chain.

Dart's top execs bullish on D.C. expansion plans

By Bruce Buckley

LANDOVER, Md. — Dart Drug has a long way to go before it reaches saturation in its principal market, Washington, D.C., the company's new top managers say.

In fact, the execs add, they have pinpointed 90 separate locations covered by the *Washington Post's* advertising umbrella in which Dart has not achieved full market penetration.

Not every location will become a Dart store, of course, but as chairman and ceo Al Towle puts it: "We could almost double our store count" in the Washington market. Dart currently operates 74 super drug stores, almost all of them in or around the nation's capital.

Washington observers doubt, however, that Dart will ever be able to achieve the 40% to 50% market share that Towle has been quoted as saying is possible within three to four years. The competition from Giant, Peoples and even Drug Fair is too keen, they say.

Evidence that the major drug retailers will never sit still while one chain gobbles up share points can be found in Giant's reaction to Pathmark's deep-discount invasion of Baltimore.

Giant in June reacted by igniting a price war that has since raged into the Washington market and enveloped all of the major players.

Eliot Benson, director of re-

Continued on page 54

Shareholder list sought in Revco control battle

By Jim Ricchiuti

TWINSBURG, Ohio — The volatile struggle for control of Revco D.S. showed no signs of dissipating late last month as dissident shareholders Bernard Marden and Isaac Perlmutter requested that Revco management provide them with a shareholders' list.

The latest salvo fired by the two Odd Lot principals, who own nearly 12% of Revco, further fueled speculation that they were considering a move to take control of the $2 billion drug chain.

In a filing with the Securities and Exchange Commission, Marden and Perlmutter also stated that they had retained Drexel Burnham Lambert Inc. to provide them with financial advice

But while the threat of a proxy fight remained a possibility, industry analysts believe that even with a shareholder list the two dissident shareholders lack the necessary time and support to oust Revco chairman, president and ceo Sidney Dworkin.

Earlier last month, Revco mounted a counteroffensive against Marden and Perlmutter by rejecting as "self-serving" their demands that they receive six seats on Revco's 13-member board.

In proxy material mailed last month, Revco also asked shareholders to allow the chain's board to "exercise the right of first refusal" to buy back the 4.4 million shares Marden and Perlmutter received when they sold Odd Lot to Revco in May.

However, in an apparent concession to Marden and Perlmutter Revco said that it would not ask shareholders to approve any antitakeover measures in its annual meeting next week. The chain also agreed to provide the two Odd Lot executives with two seats on the board, which Marden and Perlmutter in turn rejected.

Some analysts believe that the decision not to enact any antitakeover measures indicates that the findings of the committee appointed to investigate allegations concerning Revco's purchasing department will not reveal any serious problems with the chain's purchasing activities. The allegations made by Marden and Perlmutter into possible purchasing irregularities by Revco are what first caused the dispute between the chain and Odd Lot.

In a related matter concerning the chain's purchasing procedures, Joseph De Kama, president of De Kama associates, issued a statement regarding his connection with the investigation. De Kama said that Revco's decision to hold payment for sales of products by his companies to the drug chain was "unjustified" and a "violation of contractual commitments."

"I deeply resent being treat-

Continued on page 54

Group offers $334M to purchase Pay'n Save

SEATTLE — At presstime a group of investors led by the New York-based Trump Group was close to acquiring the Pay 'n Save Corporation.

The investment group, led by the Trump organization, which also owns hotels and office buildings, reportedly offered to pay $22 a share or about $334 million for Pay 'n Save. For the 26 weeks ended July 28, Pay 'n Save posted a profit of $4.1 million on sales of $342 million. Profits for the period, however, declined 64%.

A spokesman for the company refused to say whether other prospective bidders had been approached. He stressed, however, the company's management felt that "this merger is in the best interests of our stockholders."

A company spokesman, citing the costs associated with starting up new types of business and changing the format of the company's home center stores, called 1984 "a difficult year so far."

Pay 'n Save, which operates 150 drug stores plus about 163 home center and apparel stores in 10 western states, also expanded into the wholesale drug business earlier this year and acquired a chain of auto supply stores.

Rapid growth continues

Rx computer tests gain ground

NEW YORK — The horses are out of the gate in what may be the drug store industry's most interesting race in the 20th century: the scramble to create a "fully integrated," computerized store-management program for retail drug stores.

In exclusive interviews with drug store retailers and hardware and software manufacturers, *Drug Store News* has learned that at least one drug chain, Pay Less NW, has quietly installed a fully integrated in-store computer management program in approximately one-third of its stores, while at least seven other major chains are following suit and are currently in various phases of implementations and tests.

In addition, at least 300 and possibly as many as 500 independents and small regional companies are ordering and/or installing the combination electronic point-of-sale and micro- and mini-computer systems that will allow them to "integrate" a variety of electronic applications in their stores within one master program.

Major wholesalers are also either providing or preparing to provide "integrated electronic packages" to the stable of "value added services for retailers."

The breakthrough for most retailers has come this year as software and hardware manufacturers announced new, relatively low-cost products that connect a mini- or microcomputer in a retail store environment with in-store communicating electronic point-of-sale cash registers. In the case of Pay Less, the EPOS are actually linked on-line to a main frame at headquarters.

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Late News

SOURCES CLOSE TO AMERICAN STORES say the $14 billion conglomerate has reportedly put its troubled 145 Rea and Derick drug store division up for sale. Retailers and analysts say the division, whose stores are much smaller that the 65,000-sq.-ft. combo and superstores that American likes to operate, has not been performing up to the standards set by American's chairman L. S. Skaggs.

PHILIP J. HISCOCK, president of the Boston-based Medi Mart drug chain, has been named president of Sav-A-Stop Inc., a Jacksonville, Fla., rack jobber.

CONTINUING EDUCATION PROGRAM
Counseling patients for commonly used OTCs—pp. 21-28.

Herrlich purchase bolsters Rite Aid Mich. drive

SHIREMANSTOWN, Pa. — Rite Aid's acquisition late last month of the six-store Herrlich's Drug Stores in Flint, Mich., is the chain's second move into Michigan within the last three months.

With the Herrlich's purchase so close on the heels of the 24-store Muir deal, industry sources say that Rite Aid has pegged Michigan as a prime growth area.

Although the state is dominated by Pontiac, Mich.-based Perry Drug, it is also home to a great number of smaller chains and independents.

"It only makes sense that Rite Aid is preparing an assault on Michigan," said one observer. "It's the last remaining market where there are stores left to buy."

Local small-chain operators confirmed that the 1,206-store chain is pursuing growth in Michigan. Said one chain president, "Feelers are out for acquisitions. They want to fill in markets where they aren't and push closer to 2,000 stores."

Pat Early, Rite Aid's spokesman, said the chain's emphasis on Michigan is "only natural because of our presence in northern Ohio."

However, despite signs that Rite Aid is set to invade Michigan, Sentry's vp Chuck Fugate points out that the chain is steering clear of Detroit and relying on fringe markets.

"It's not Rite Aid's style to butt heads with the large chains," he said. "They want to find their own niche."

But Rite Aid will go head-to-head in Flint (population 523,600) with Perry, which, according to Metro Market Studies, controls better than 15% of the area volume. Additionally, the former Herrlich's stores, which average 7,000 sq. ft., will compete with strong independents, which produce 23% of the volume.

"We always welcome competition," said Perry's vp corporate public relations Berl Falbaum. "We're accustomed to operating in competitive markets. Look at Chicago, where we're up against Walgreens and Osco."

Rite Aid's remodeling team has been dispatched to Flint, according to Early, to remodel and remerchandise the stores. Local competitors report that a great deal of work is needed to turn Herrlich's around.

"I heard that the stores looked so bad that people thought they were going out of business," a competitor said. "They have two good stores, the other four are in bad areas."

Added another Flint operator, "Herrlich's had poor locations and untidy housekeeping."

—News in brief—

Morris Axelrod of Thrifty dies

LOS ANGELES — Morris Axelrod, who died last month at 76, left his imprint on Thrifty Drug's buying department for almost a half-century.

Axelrod—known by his contemporaries as "Ax"—started with Thrifty in 1936, seven years after Thrifty opened its first store, as an advertising copy writer. In the ensuing years, he gravitated to buying. For many years prior to his death, he held the title of executive vp, buying, and supervised a staff of 25 to 30 buyers.

He became a director of Thrifty in 1969 and was also a member of the chain's finance committee.

Despite a gruff exterior, Axelrod was "morally good and kind," says a Thrifty exec who worked with him for 40 years. His son Ellis is assistant vp in operations.

Suppliers describe Axelrod as "hard-nosed but fair." He had the reputation of being a shrewd bargainer, and with the immense power of Thrifty's 500-plus stores, he not only cut some sharp deals but made sure his buyers used the leverage fully.

As a result, suppliers rate Thrifty buyers as among the toughest in the business when it comes to rock-bottom prices. By the same token, a sale to Thrifty meant a large order. Thus, negotiations were not always conducted in subdued tones.

Perry to buy Pappy's

PONTIAC, Mich. — Perry Drug Stores has reached an agreement in principle to acquire the three-store Pappy's Discount Auto Stores Inc. based in St. Louis. The stores range in size from 4,500 sq. ft. to 7,000 sq. ft.

This marks Perry's second acquisition in the St. Louis market. The chain recently proposed a takeover of the 24-store Jack Lambert-Singer Auto Parts chain, St. Louis' largest auto-parts retailer.

Perry currently operates 52 FAS auto stores and 26 Auto Works outlets.

Bartell scales down nutrition dept.

SEATTLE — After two years of testing nutrition departments in four stores, Bartell Drug spent months fine-tuning the mix and scaling down the size.

Now the chain has installed streamlined departments in 13 of it 21 stores. The other eight stores will be phased in within the year.

Originally, Bartell devoted 20 to 36 ft. to nutrition, depending on store size. Now the department is 12 to 20 ft. The original mix was 50% food and 50% natural vitamins. Because vitamins were accounting for 75% of sales, Bartell changed the allocation to 70% vitamins, 20% food and 10% H&BA.

In the final shakeout, food was eliminated and H&BA returned to its regular home. The mix now consists of natural vitamins and books.

Corella joins Rite Aid

SHIREMANSTOWN, Pa. — Frank L. Corella, formerly vp merchandising for SupeRx Drugs, has joined Rite Aid. In his new position, Corella will be involved in retail drug operations, including the chain's deep-discount Drug Palace stores.

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Drug Store News (ISSN 0191-7587), is published biweekly—every other Monday, monthly in December plus extra Pharmacist's Reference issue in April, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Subscription rate $15 per year; $27/two years. Single copy rate $2.00. Outside U.S.A.: Canada $16, $29/two years. Foreign subscriptions: Airmail only $100 per year.

Vol. 6, No. 20 September 17, 1984

Second-class postage paid at New York, N.Y. and additional mailing offices. Copyright © 1984 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Please send address changes to Subscription Dept., Drug Store News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice to Subscription Dept., 99 Park Ave., New York, N.Y. 10157 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Victory for chains is seen in court ruling on imports

WASHINGTON — The Federal Court of International Trade has slammed the door on efforts by multinational manufacturers to choke off supplies of "gray-market" imports to drug chains and other American retailers.

In a precedent-setting decision upholding the Customs Service's current policy that prevents foreign manufacturers and their United States subsidiaries from blocking "unauthorized" imports of their own products, the court concluded that Congress never intended to give foreign suppliers such power over the domestic marketplace.

The ruling represents a clear-cut victory for a number of major drug and discount store chains that have been quietly lobbying Congress and the Reagan Administration to resist pressure from foreign manufacturers for sweeping new restrictions on "gray" or "parallel" imports.

At issue in the dispute: a nearly 50-year-old Customs Service interpretation of Federal law under which American subsidiaries or other corporate relatives of foreign manufacturers are not entitled to prevent the unauthorized importation of their own legitimately trademarked products.

Since many multinational manufacturers price their products substantially higher in the United States than in other countries, drug chains and other domestic retailers are often able to secure significant savings on brand name watches, cameras, fragrances and other products by bargain-shopping overseas markets.

Even relatively inexpensive items such as Duracell flashlight batteries can be purchased from European distributors at as much as 40% below the prices charged by the manufacturer in the United States market.

In seeking authority to block unauthorized chain imports of these products, foreign firms maintain that retailers who purchase their goods abroad and ship them to the United States without authorization are "free riding" on their trademarks.

But the Court of International Trade rejected these arguments as immaterial by ruling that the only real question is whether Congress intended to give this degree of marketplace power to foreign manufacturers.

That case, which involved attempts by a Japanese camera manufacturer (Vivitar) to reverse the Customs Service's policy, hinged on the court's finding that Congress intended the law to protect American firms from unfair practices by

Continued on page 53

Key Drug is new name for Pay Less' small stores

WILSONVILLE, Ore. — Pay Less NW has selected Key Drug as the name for its new small-store format.

The first Key Drug will open around the first of November in Sequim, Wash., approximately 65 miles northwest of Seattle. The freestanding store, with 17,000 sq. ft. overall and 11,500 sq. ft. of selling area, is the site of a former grocery store.

Upcoming Key stores will either be takeovers of vacated premises or built from the ground up.

During 1985, Pay Less plans to open five to 10 Key Drugs in the states where it now operates—Washington, Oregon, Idaho and California.

Pharmacists will manage the stores, which are expected to generate between $1.5 million and $2 million in sales. Size of the units will vary from 10,000 to 17,000 sq. ft. overall and 8,000 to 12,000 sq. ft. of selling.

Sequim (pronounced squim) has a trading area of 12,000 sq. ft. and is called the "Sunbelt of Washington" because it has less rainfall than the rest of western Washington. Sequim's claim to fame is its wild animal farm, which trains animals for the movies.

Key Drug stores, called "mini Pay Lesses" by chain execs, will contain most of the departments of a conventional 30,000-sq.-ft. Pay Less but will be scaled to size. Altogether there will be about 15,000 sku's in the store, compared with 25,000 in conventional Pay Less units.

The mix will also be tailored to the community. For example, if there is a sporting goods store nearby, then Key will not have one.

The stores are pegged for small towns with populations of 5,000 to 10,000 which cannot support a conventional Pay Less drug store. Two major departments—Rx and OTC—are expected to account for 35% of the store's volume.

Key Drug completes a triad of store formats which strengthens Pay Less' marketing flexibility. The other two types are the conventional 30,000-sq.-ft. superstore and the Value Giant deep-discount.

The first Value Giant opened in Portland in July. Two more, both in Hayward, Calif., are scheduled to open in September.

NWDA merger signed; Treffrey named exec vp

ALEXANDRIA, Va. — Just one day after members of the National Wholesale Druggists' Association approved a merger with the Drug Wholesaler Association, executives from both associations formally signed the merger agreement.

The NWDA now represents more than 95% of the wholesale drug industry, making it the single organization responsible for all drug wholesalers.

"For the first time in the history of our industry," said NWDA chairman Elmer Fiery, "all wholesalers can now speak with one voice."

Fiery said the unity will permit NWDA to play an even greater leadership role in representing the interests of NWDA's member companies.

Prior to the merger, NWDA's membership represented approximately 90% of all wholesalers. About 66% of all DWA members were members of NWDA.

The merger agreement was signed by Fiery and DWA president Robert W. Meyer Aug. 28. Meyer is a one-year elected official, as is Fiery.

Charles Treffrey, DWA's executive vp, now becomes executive vp and coo of NWDA—second in command to president Bill Ford—while his assistant Janet Cordiano bcomes assistant director of member services, reporting to Bob McHugh, NWDA's vp of member services.

Cordiano, who officially joined the NWDA staff Sept. 4, will be responsible for coordinating all program services and meeting activities for NWDA's independent members (those who operate single distribution centers as opposed to multiple distribution centers).

According to NWDA sources, the proxy vote by the NWDA membership to determine the merger was "well in excess of the two-thirds majority required."

DWA's membership had already approved the merger at an earlier meeting.

FINANCIAL

Pay 'n Save earnings drop for second quarter

SEATTLE — Pay 'n Save's earnings dropped substantially for the second quarter in a row, the company reported.

According to the diversified Seattle-based retailer, net income for the quarter ended July 28 fell 64% to $3.1 million, or 20¢ a share, from $8.4 million, or 58¢ a share, in the corresponding year-earlier period.

Sales for the quarter advanced 14% to $342.2 million from $301.5 million.

Cal Hendricks, vice chairman of the board and chief financial officer, said the lower earnings were the result of several factors, including "disappointing" same-store sales gains and "comparative weakness" in gross margins, particularly in the Ernst Home Center division.

In addition, Pay 'n Save took one-time losses from the sale of six unprofitable California stores and the closing of two others, one in California and the other in Hawaii. Start-up costs associated with Price Savers Membership Warehouse and Northwestern Drug Co., the wholesaler acquired earlier in the year, also hurt earnings.

"We are confident that our long-term strategies to improve operating efficiencies and merchandising methods will pay off in greater future profitability despite the disappointing results of the present," Hendricks said.

He added that the opening of a second Price Savers Membership Warehouse in Fife, Wash., had been "very well received by customers" and two more are scheduled to open, in Seattle and Anchorage, later this year.

"Another bright spot," he said, "is the warehousing potential of the highly mechanized Northwestern Drug Co. Northwestern has recently expanded warehousing of merchandise for our Pay 'n Save and Bi-Mart drug divisions. We expect to begin warehousing additional items for the Ernst Home Center Division later this year."

For the first two quarters, earnings declined 64% to $4.1 million, or 26¢ a share, from $11.3 million, or 79¢ a share.

21
Gainers
4
Unchanged
Losers
30

Top five gainers

Company	2-week % change	Closing price 8/27
Drug Systems	+10.0	$ 4.13
Pay 'n Save	+ 6.9	17.50
ICN Pharm	+ 6.7	8.00
Revco	+ 6.4	29.25
Adams	+ 4.8	16.50

Top five losers

Company	2-week % change	Closing price 8/27
Newport Pharm	−12.50	$ 3.50
Forest Labs	−10.34	13.00
Marion Labs	− 6.63	38.75
Ketchum	− 6.56	14.25
Walgreens	− 6.34	38.75

		STOCK PRICE							TREND TO MARKET				EARNINGS/SHARE					P/E	DIVIDENDS			FINANCIAL POSITION					
		From 08/10/84 - 08/27/84							Price Trend (% per day)		Volume Trend (% per day)			Latest 12 Months vs Preceding 12 Months Change					Indicated Dvd. rate			Last Fiscal Year			Last Fiscal Year (Per Share)		
					Change		52-Week																				
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct	5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Amt.	Yield	Last X-Dvd. Date	Revenue	Earnings	Current Ratio	Long Term Debt	Common Stock Equity	Last Balance Sheet Date
-	-	$	$	$	$	%	$	$	%	%	%	%	$	$	%	%	%	-	$	%	-	$ Mil	$ Mil	-	$	$	-
Chain Store transactions																											
Adams Drug	ADG	17.38	15.50	16.50	.75	4.76	24.88	11.00	.77	-.39	3.33	-.39	1.74	.62 F	55.3	40.0	2.4	9.5	.04	.2	09-10-84	302.1	7.1	3.2	7.78	11.40	1283
Am Stores	ASC	39.25	35.25	37.75	-1.25	-3.21	44.00	26.50	.10	.61	1.87	55.00	3.61	.87 Q	30.3	54.0	1.5	10.1	.64	1.7	06-20-84	7983.7	117.9	1.5	12.39	15.26	0184
Begley Co	BGLY	15.50	15.50	15.50	.00	.00	22.00	14.50	-.35	.09	-6.70	50.00	1.47	1.46 N	NC	-10.0	1.4	10.6	.68	4.4	07-16-84	56.8	.8	1.8	11.50	17.52	0383
Big B	BIGB	11.25	10.63	10.88	-.13	-1.14	14.50	8.88	.39	-.16	-1.89	3.33	.53	.14 Q	33.3	23.0	3.0	19.4	.00	.0	09-21-83	117.0	3.5	2.3	.18	3.88	1283
Drug Sys	DRGS	4.38	3.50	4.13	.38	10.00	7.50	3.25	.05	-1.47	3.85	-20.90	.56	.16 F	-22.2	NC	2.1	7.4	.00	.0	01-25-84	82.3	1.7	2.8	2.40	3.12	0383
Eckerd, Jack	ECK	23.63	22.25	23.25	.00	.00	29.38	20.25	-.06	.21	3.32	21.95	1.91	.31 N	16.5	6.0	3.1	10.7	1.00	4.3	09-10-84	2325.0	71.7	2.0	.30	15.17	0783
Fay's Drug	FAY	11.00	9.88	10.63	-.38	-3.41	14.50	8.38	.22	.16	-.96	5.09	.60	.15 Q	31.2	56.0	2.6	16.9	.20	1.9	06-18-84	312.4	8.1	1.7	1.78	3.82	0184
Genovese Drug	GDX	16.63	16.25	16.50	.25	1.54	20.50	10.50	.16	.23	-1.23	14.81	.96	.31 Q	43.6	79.0	2.0	16.2	.20	1.2	06-14-84	193.8	3.9	1.9	2.83	4.92	0184
Hook Drugs	HOOK	22.00	21.50	22.00	.38	1.73	29.50	18.50	-.28	.66	-8.26	54.76	2.01	-.07 S	-3.5	8.0	2.7	11.6	1.00	4.5	07-09-84	320.5	8.7	1.7	2.75	10.38	1283
Longs Drg Strs	LDG	41.00	39.00	39.88	-1.38	-3.33	49.75	34.00	-.17	-.07	1.48	-16.92	3.43	.45 Q	14.8	11.0	3.0	11.5	1.28	3.2	05-22-84	1214.4	36.4	1.9	.00	20.32	0184
Pay N Save	PAYN	17.63	15.50	17.50	1.13	6.87	28.75	14.38	-.32	2.28	3.43	2.63	2.02	.38 Q	25.1	3.0	2.5	9.3	.60	3.4	08-20-84	1220.5	30.1	2.0	9.01	14.37	0184
Pay Less NW	PAY	21.75	20.38	20.75	-.25	-1.19	22.00	14.00	.32	-.65	-3.04	-11.80	1.35	.30 Q	27.0	4.0	2.9	14.7	.34	1.6	06-18-84	852.9	24.7	1.8	4.62	7.19	0184
Perry Drug	PDS	16.63	15.25	16.50	.00	.00	22.38	12.38	-.08	.59	1.03	-69.92	1.02	.37 Q	50.0	11.0	1.6	14.9	.24	1.5	08-21-84	285.5	4.5	2.2	2.78	9.75	1083
Revco Drug	RDS	29.25	26.50	29.25	1.75	6.36	37.50	24.00	-.04	1.23	4.55	-12.06	2.54	.41 F	19.2	28.0	4.2	11.5	.80	2.7	08-20-84	2227.5	93.4	2.5	1.33	11.59	0583
Rite Aid Corp	RAD	24.25	22.50	23.75	-.38	-1.55	26.00	17.50	-.09	.35	-1.83	-37.86	1.47	.29 Q	23.5	30.0	5.1	15.6	.41	1.7	07-13-84	1223.3	62.2	2.3	.49	7.68	0284
Thrifty Cp	TFD	18.38	17.00	17.25	-.63	-3.50	20.50	11.50	.22	-1.01	.70	-2.86	1.13	.27 N	25.7	19.0	1.9	13.1	.52	3.0	08-06-84	1187.8	22.5	1.5	5.39	6.83	0883
Walgreen Co	WAG	41.38	38.00	38.75	-2.63	-6.34	42.00	28.63	.00	-.06	-1.96	.20	2.24	.61 N	29.7	33.0	2.9	14.6	.72	1.9	08-13-84	2360.6	69.0	1.6	1.76	11.47	0883
Wholesaler's transactions																											
Bergen Bruns	BBCA	23.75	22.50	22.88	-.13	-.54	32.25	19.00	.09	.06	.58	-58.28	1.60	.21 N	13.2	36.0	1.4	12.7	.32	1.4	07-26-84	1452.0	20.0	1.6	1.22	9.99	0883
Durr Fillauer	DUFM	14.50	13.38	14.50	.25	1.75	17.75	10.25	.48	.71	2.38	-12.45	.80	.09 S	12.0	21.0	1.9	17.3	.16	1.1	08-20-84	263.2	5.0	2.3	2.03	6.80	1283
McKesson Cp	MCK	38.13	35.75	37.25	-.75	-1.97	44.63	32.38	-.36	.51	1.73	-56.83	3.25	.04 F	1.2	1.0	1.5	11.5	2.40	6.4	08-28-84	4260.0	63.0	1.4	10.45	30.25	0384
Foxmeyer Cp	FOXM	25.50	23.50	25.00	-.25	-.99	27.75	20.00	-.05	.18	-1.89	-49.56	.94	1.43 N	NC	103.0	1.1	17.5	.00	.0	00-00-00	464.2	5.2	2.0	3.95	11.86	0384
Ketchum	KCH	15.50	14.25	14.25	-1.00	-6.56	21.00	10.50	.45	-.77	-5.52	7.14	.80	-.09 F	-10.1	53.0	.3	17.8	.00	.0	09-26-83	245.1	.8	1.5	5.87	5.68	0483
Owens & Minor	OBOD	15.00	14.00	14.75	.50	3.51	18.50	11.25	.34	-.09	5.25	-25.00	1.41	.17 S	14.5	10.0	1.2	11.0	.36	2.4	06-06-84	255.2	3.0	2.8	5.07	11.69	1283
Spectro Indus	SPO	24.50	22.50	23.38	-.38	-1.58	24.50	15.50	.30	.50	.96	21.83	1.78	.49 Q	35.0	54.0	1.8	12.4	.14	.6	07-03-84	395.4	7.2	1.7	2.86	7.24	0383
Manufacturer's transactions																											
Abbott Labs	ABT	48.00	45.50	46.38	-1.00	-2.11	53.38	38.25	.06	-.26	-1.03	1.71	2.86	.51 S	19.6	26.0	11.9	15.0	1.20	2.6	07-09-84	2927.9	347.6	1.9	4.00	11.71	1283
Am Home Prod	AHP	53.13	49.63	53.00	1.75	3.41	55.75	45.75	-.23	.37	.22	-7.81	4.00	.44 Q	12.0	16.0	12.9	12.9	2.64	5.0	08-07-84	4856.5	627.2	3.0	.00	13.14	1283
Baxter Travenol	BAX	17.50	16.25	16.88	-.25	-1.46	31.00	13.25	.20	-.44	.81	-9.75	1.45	-.01 S	-.7	22.0	11.8	12.6	.33	2.0	08-31-84	1842.5	218.1	1.7	1.60	8.17	1283
Block Drugs Co	BLOCA	26.50	26.50	26.50	.00	.00	29.13	25.00	-.30	.06	-5.37	-61.76	3.28	.33 F	11.1	16.0	10.0	8.1	1.00	3.8	08-28-84	238.2	23.9	2.5	2.35	17.84	0383
Bolar Pharm	BLR	31.25	27.25	30.25	.63	2.11	31.25	17.50	.13	-.70	7.24	-5.62	1.15	.27 Q	30.3	53.0	19.2	26.1	.05	.2	02-10-84	25.5	4.9	4.9	.00	4.76	1283
Bristol-Myers	BMY	49.63	47.25	47.63	-.88	-1.80	50.38	36.75	-.08	-.69	-.79	.90	3.00	.47 S	16.9	19.0	10.4	14.7	1.60	3.4	06-29-84	3917.0	408.0	2.4	.71	13.99	1283
Carter-Wallace	CAR	25.88	24.25	24.88	.38	1.53	26.38	19.38	.34	-.23	1.79	-5.54	2.37	1.81 F	323.2	22.0	5.7	10.5	.48	1.9	07-26-84	323.1	18.4	2.4	1.69	21.87	0384
Cooper Labs	COO	22.50	20.63	21.13	-1.63	-7.14	27.00	10.38	-.89	-.21	.66	.71	NA	NA	NA	NA	NA	NA	.12	.6	03-12-84	NA	NA	NA	NA	NA	NA
Forest Labs	FRX	14.75	12.38	13.00	-1.50	-10.34	37.25	11.25	-.04	-1.95	-1.80	68.02	.54	.08 Q	16.6	56.0	14.8	23.2	.00	.0	01-14-83	19.6	2.9	8.3	.28	5.42	0384
ICN Pharm	ICN	8.63	7.13	8.00	.50	6.67	11.25	4.88	-.03	.72	5.13	-6.29	.22	-.09 Q	-28.1	43.0	5.1	34.8	.00	.0	00-00-00	37.0	1.9	4.3	.20	4.34	1183
Key Pharm	KPH	17.13	15.00	16.38	.63	3.97	23.50	10.63	.65	.23	.50	-1.30	.51	.20 S	50.0	78.0	14.8	27.3	.16	1.0	09-10-84	127.3	18.8	2.1	1.16	1.67	1283
Lilly Eli Co	LLY	58.13	56.25	57.38	.63	1.10	68.38	53.00	-.28	-.12	-5.04	-1.61	6.13	.96 S	17.2	12.0	15.1	8.8	2.90	5.1	08-09-84	3033.7	457.4	1.9	1.23	28.86	1283
Lee Pharm	LPH	3.13	2.88	3.00	.13	4.35	3.75	2.00	-.51	-1.01	-1.25	-22.64	-.49	.28 S	NE	-110.0	-14.3	NE	.00	.0	00-00-00	7.0	-1.0	2.6	.41	1.53	0983
Marion Labs	MKC	42.50	38.63	38.75	-2.75	-6.63	48.00	27.25	.19	-.48	2.23	-20.82	1.24	.46 F	58.9	55.0	10.6	31.3	.40	1.0	09-12-84	226.4	24.1	2.5	.05	5.93	0683
Merck & Co	MRK	87.75	83.50	84.00	-2.88	-3.31	104.63	78.25	-.26	-.77	-.43	-3.58	6.10	.53 S	9.0	7.0	13.9	13.2	3.00	3.6	08-31-84	3246.1	450.9	1.7	5.21	32.92	1283
Morton Thiokol	MTI	83.88	79.25	82.50	3.50	4.43	84.50	60.00	.08	-.02	1.19	-4.21	5.15	1.25 N	25.7	17.0	5.2	13.5	1.76	2.1	05-24-84	1509.2	78.5	1.4	8.90	32.79	0683
Mylan Labs	MYLN	35.13	24.75	29.00	.75	2.65	35.13	6.09	1.74	-5.95	8.98	31.01	.40	.11 F	37.9	110.0	12.7	72.5	.03	.1	08-01-84	36.9	4.7	5.4	.21	1.52	0384
Newport Pharm	NWPH	4.38	3.50	3.50	-.50	-12.50	10.50	2.75	-.13	-5.19	-5.70	15.44	-.21	-.18 F	NE	9.0	-23.5	NE	.00	.0	00-00-00	8.5	-2.0	3.7	.24	1.12	0483
Pfizer Inc	PFE	37.25	35.25	36.25	.38	1.05	44.50	29.38	.27	-.12	-.80	-10.46	2.73	.53 S	22.4	18.0	11.9	12.5	1.32	3.6	07-26-84	3750.0	447.1	2.1	3.03	13.67	1283
Reid Prov Labs	REID	3.25	3.13	3.13	-.13	-3.85	4.75	2.75	-.43	.22	-2.90	33.03	.10	.03 N	30.0	56.0	6.1	24.0	.05	1.6	12-09-83	11.4	.7	3.1	.03	.80	0683
Robins, AH	RAH	15.38	13.88	14.38	.25	1.77	29.38	12.00	-.10	-.63	-2.58	10.03	2.40	-.29 S	-12.7	15.0	10.3	7.2	.76	5.3	08-20-84	563.5	58.2	3.2	1.30	13.99	1283
Rorer Group	ROR	32.63	31.13	32.00	.88	2.81	34.25	25.25	-.07	-.16	.95	-10.79	2.02	.28 S	15.3	10.0	8.9	15.2	1.08	3.4	08-06-84	475.3	42.4	2.0	2.18	10.43	1283
Scherer RP Co	SCHC	10.38	9.63	9.75	-.63	-6.02	21.50	8.88	-.22	-.31	6.85	-84.65	.52	-.52 F	-50.0	-1.0	2.3	18.8	.32	3.3	09-12-84	171.7	4.0	1.9	4.83	11.14	0384
Searle, GD	SRL	49.88	45.75	47.75	-2.00	-4.02	55.50	37.50	-.17	-.34	-.16	7.01	2.39	.18 Q	7.5	13.0	12.6	18.6	.52	1.1	08-07-84	946.0	119.0	2.4	3.62	14.85	1283
Squibb Corp	SQB	49.63	45.13	45.25	-2.38	-4.99	55.63	37.50	-.11	-2.16	-.52	5.49	3.31	.38 S	12.2	11.0	9.8	13.0	1.44	3.2	08-13-84	1768.9	173.3	2.4	3.86	23.24	1283
Sterling Drug	STY	26.38	25.38	25.63	-.50	-1.91	29.63	23.50	-.32	-.46	-2.68	8.19	2.24	.15 S	6.9	7.0	7.2	11.1	1.16	4.5	08-09-84	1901.2	136.8	2.7	1.44	14.96	1283
Syntex Corp	SYN	48.00	44.50	45.38	-2.25	-4.72	61.50	37.75	-.09	-.08	1.01	16.53	4.30	.25 N	6.0	32.0	17.2	10.3	1.60	3.5	08-13-84	870.2	149.3	2.2	3.37	18.11	0783
Thompson Med	TM	24.00	22.25	23.00	-.75	-3.16	26.50	12.75	-.28	-.25	-3.81	-25.23	1.65	.78 S	55.7	70.0	11.0	10.6	.40	1.7	06-11-84	149.4	16.5	3.2	.00	5.85	1183
Upjohn Co	UPJ	55.25	52.00	52.38	.13	.24	72.25	45.00	-.01	-1.06	-7.42	-6.65	5.28	1.59 S	35.8	3.0	8.1	8.7	2.56	4.9	07-02-84	1986.1	160.2	2.2	18.02	34.74	1283
Warner-Lambrt	WLA	34.75	32.50	33.38	-.13	-.37	36.75	27.00	.03	-.07	.63	-18.04	2.51	.51 S	23.3	1.0	6.5	12.4	1.48	4.4	08-06-84	3108.3	200.5	1.9	7.53	17.75	1283
Zenith Labs	ZENI	18.00	16.50	16.75	-.50	-2.90	18.00	12.00	.40	-.22	4.35	12.31	.73	-.43 S	-45.2	56.0	7.8	32.2	.00	.0	00-00-00	32.1	2.5	4.6	1.12	5.12	1283

All data is based on sources believed to be reliable, but its accuracy is not guaranteed. Every effort will be made to correct errors, when discovered, in future issues.

Footnotes:

NA - Not Applicable	NE - Negative Earnings	Q - First Quarter
NC - Not Calculable	NM - No Meaningful Figure	S - First 6 Months
N - First 9 Months	F - Fiscal Year	

Data and Table Prepared by Media General Financial Services, Inc., Richmond, Virginia 23219

MERCHANDISER

KODAK SAFETY FILM 5063
2 DAY SERVICE
Free Film
→19
→19A
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→20A
→21
→21A
→25A
→26
KODAK

Drug retailers have long viewed photo-processing departments as an important part of their overall merchandise mix. Apart from producing high profit margins, the departments guarantee a minimum of two customer trips to the store.

Convenience, quality are photo dept. assets

Despite the influx of one-hour mini-labs, drug chains have continued to stress convenience and quality as the key selling points in their photo-processing programs.

From 1980 to 1983, the number of mini-labs has grown by more than 400%, according to the Photo Marketing Association. Initial projections were that the one-hour mini-labs would garner anywhere from 20% to 25% of the amateur photo-processing market by 1985. Currently, mini-labs have about 10% to 12% of the overall market.

Drug stores, which according to the 1983 PMA Industry Trends Report control 27% of the market, responded to the mini-lab challenge by offering quicker turnaround service.

Chains such as Osco, Sav-On and Perry now boast next-day service or their customers get their photos free. In an effort to boost its photo-processing service, Heartland Drug, a deep-discount chain in New England, introduced KIS one-hour service in one of its stores. And chains such as Eckerd and Skaggs have also installed sophisticated one-hour mini-labs in some of their stores.

But even as more major corporations and greater numbers of photo-processing independents enter the one-hour field each year, it has become apparent that the impact of the mini-labs may have been overstated.

Continued on page 14

Tobacco sales still strong despite warnings, pricing

Retailers expect a 10% increase in cigarette sales this year.

Considering the increased health warnings about smoking, higher Federal, state and local taxes and price hikes on several leading brands, chain drug stores continue to rack up strong cigarette sales.

On the one hand, consumer acceptance of higher cigarette prices for some of the most popular brands has helped increase department dollar sales. And on the other hand, retailers say the success of generic cigarettes such as those marketed by Liggett & Myers has helped set off a wave of price cutting by such heavyweight cigarette manufacturers as R. J. Reynolds and Brown & Williams.

The June price increase, however, did cut into unit cigarette shipments during the first two quarters of the year. According to a report complied by John Maxwell, tobacco analyst at A. G. Becker Paribas, cigarette sales declined 2.1% from the first half of 1983. Industry sales suffered more in the second quarter as sales were off by 3.7%.

But Maxwell pointed out that the sales decline in the second quarter were due more to efforts by wholesalers to build their inventories before the price increase took effect than to any significant decline in cigarette sales at the retail level.

Drug retailers surveyed by *Drug*

Continued on page 16

Convenience, quality remain photo dept. assets

Continued from page 13

Quality problems still plague some one-hour operators. Many have gone belly up from the large investment outlays for equipment and high rental rates. And still another problem facing many mini-labs is the consumer resistance toward paying the higher processing costs in one-hour service.

The difficulties experienced by many one-hour operators is now causing many industry experts to re-evaluate market share projections for mini-labs over the next few years. Industry estimates now are that mini-labs may penetrate only 15% of the market in the near future.

In some cases, the predicted shakeout in the one-hour industry has left some drug store photo-processing executives wondering if they reacted too quickly to the mini-lab threat.

When Crest Photo, the photo-processing division of the Chicago-based Osco Drug, launched its seven-day-a-week, next-day service it mounted a major advertising program to promote the faster turnaround service. But while the chain's photo processing volume increased, it was only a temporary increase. Once the advertising campaign was over, Osco's volume slipped back to its pre-express service level.

A spokesman at White Drug Stores, a 43-unit chain in North Dakota, said the chain has decided not to compete directly with the one-hour labs by stressing turnaround time. "Customers come into our stores and drop off their film because it's convenient," he said. "I don't think the average person knows how fast they can get their film developed."

According to the PMA consumer survey, 35.7% of the respondents said that one week was a reasonable amount of time to wait to have their film developed. Twenty-nine per cent said three days, while 18.8% felt two days an acceptable amount of time. Less than 10% of the respondents felt they should receive next-day service.

In fact, among consumers who rely on drug stores for their photo-processing needs, speed in returning pictures was regarded as the most important factor in choosing a particular photo-processing outlet by only 10.4% of the respondents in the PMA consumer survey.

The survey clearly indicated that the two most important reasons why consumers drop their film off in a drug store are still convenience (35.7%) and quality reputation (28.6%).

Some retailers have likened the mini-lab phenomenon to the explosive growth of photo kiosks in the 1970's. Kiosks had been considered the most serious threat to the drug store photo-processing business in recent years. However, as many operators reached the maturation point and as many areas of the country became saturated with these outlets, kiosks began declining in overall numbers and market share.

For the most part, chains have put most of their efforts behind promoting quality. Chains such as Eckerd and Genovese Drug in Melville, N.Y., which operate their own photo-processing plants, offer consumers larger prints.

Genovese two years ago also began providing its photo-processing customers with Photogard, a protective coating developed by 3M that prevents photographs from fading, smudging, scratching or wetting.

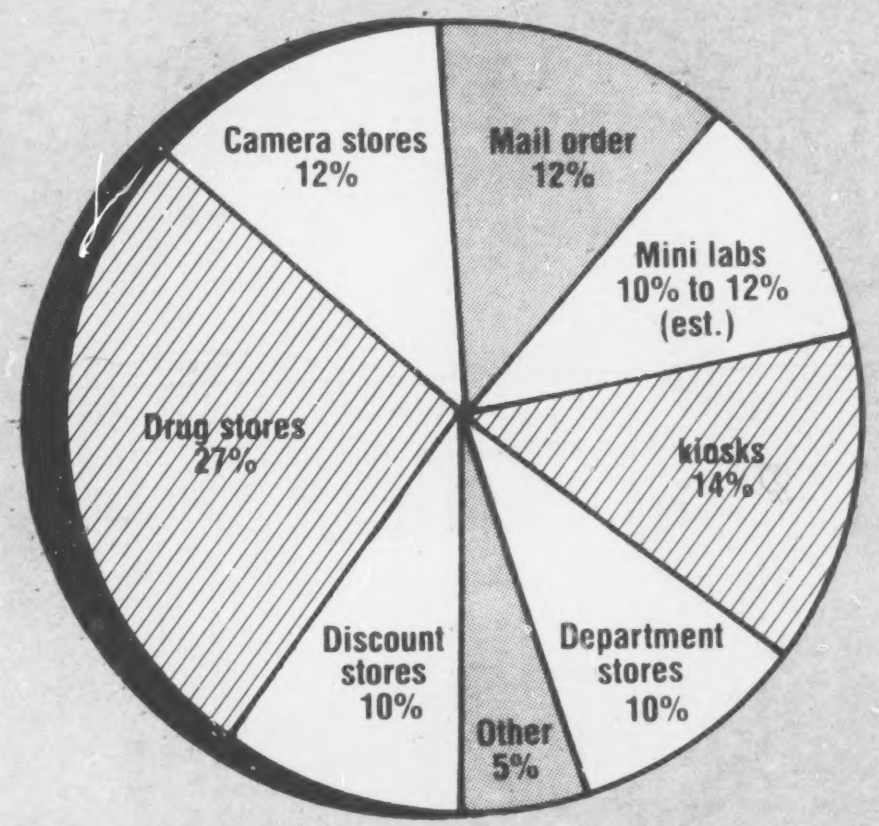
Sal Giaramitta, general manager at Genovese's Living Color photo-processing division, said that the chain is attempting to communicate to customers that it provides the same careful service with photo processing as it does with pharmacy.

Many drug retailers view supermarkets and discount stores as their most serious competitive threat. Supermarkets with their large network of store locations and sharp pricing tactics may pose the biggest challenge.

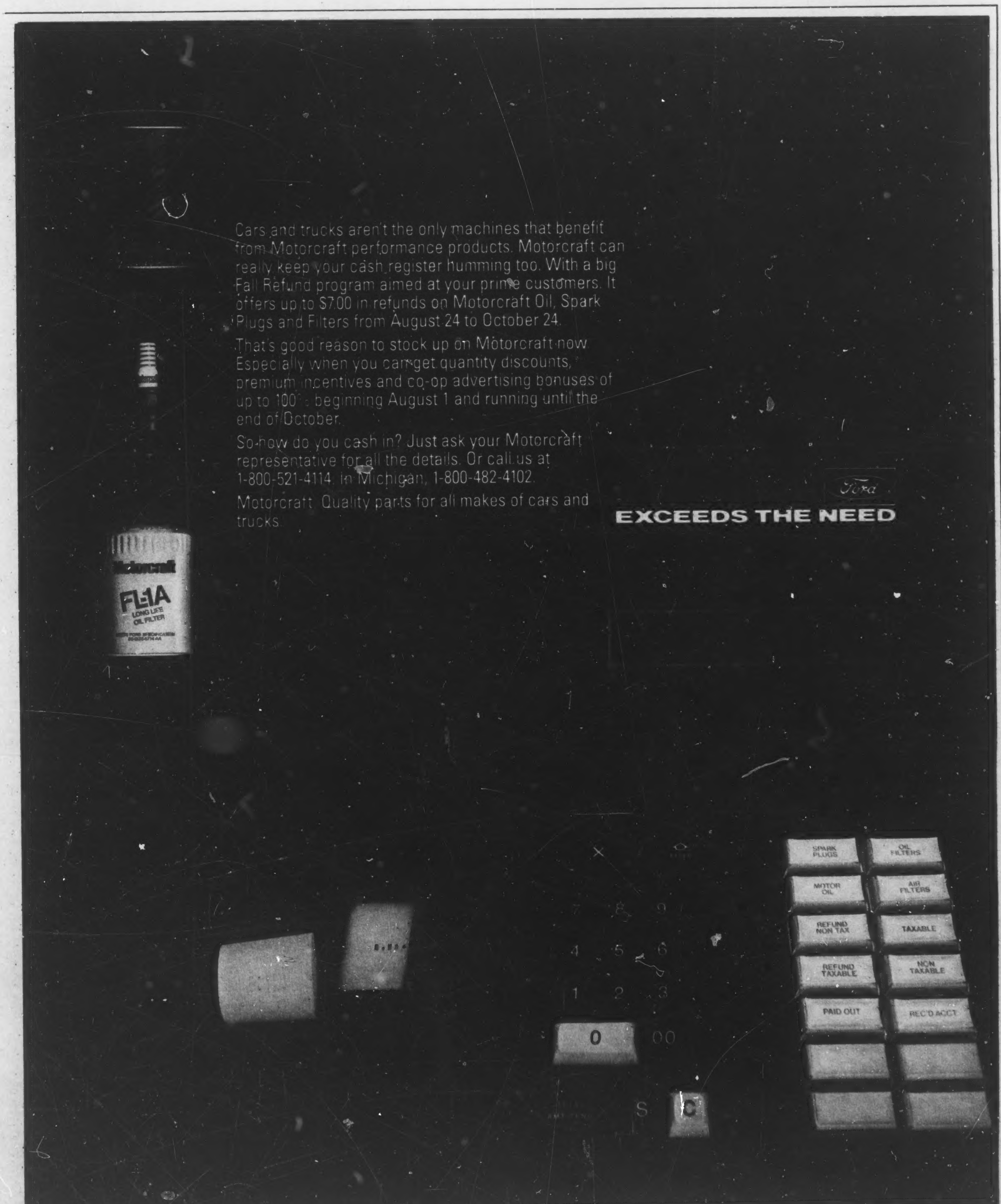
Drug chains have tried to offset the competition by offering additional services. White Drug was able to boost its photo-processing volume by approximately 50% last year by kicking off a twin print program. White now provides all of its customers with two prints for one low price.

While offering two prints for one price is not a new strategy in the industry, White Drug spotted the demand for such a program in its operating markets, and thus far the program has paid dividends.

Photo-processing market share by retail outlets



Source: Industry estimates and photo marketing association


Cars and trucks aren't the only machines that benefit from Motorcraft performance products. Motorcraft can really keep your cash register humming too. With a big Fall Refund program aimed at your prime customers. It offers up to $7.00 in refunds on Motorcraft Oil, Spark Plugs and Filters from August 24 to October 24.

That's good reason to stock up on Motorcraft now. Especially when you can get quantity discounts, premium incentives and co-op advertising bonuses of up to 100% beginning August 1 and running until the end of October.

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